



MEETINGS SCHEDULED FOR FEBRUARY

Minnesota Housing
400 Wabasha Street N. Suite 400
St. Paul, MN 55102

THURSDAY, FEBRUARY 25, 2021

Regular Board Meeting
1:00 p.m.

Conference Call

Toll-free dial-in number (U.S. and Canada):
1-866-901-6455

Access code:
914-832-123

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, February 25, 2021.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 or Minn. Stat. 13D.021 are met. The Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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Mission

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

Vision

All Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice.

AGENDA

Minnesota Housing Board Meeting

Thursday February 25, 2021

1:00 p.m.

- 1. Call to Order**
- 2. Roll Call**
- 3. Agenda Review**
- 4. Approval of Minutes**
 - A. (page 5) Regular Meeting of January 28, 2021
- 5. Reports**
 - A. **Chair**
 - B. **Commissioner**
 - C. **Committee**
- 6. Consent Agenda**
 - A. (page 11) Adoption, Resolution Authorizing Amendments to Minnesota Housing Finance Agency Direct Purchase Revolving Line of Credit Notes
- 7. Action Items**
 - A. (page 17) Approval of Changes to the Bridges and Bridges Regional Treatment Center Rental Assistance Programs Guide
 - B. (page 73) Commitment, Low and Moderate Income Rental Loan (LMIR), and Low and Moderate Income Rental Bridge Loans (LMIRBL)
-Element D8135, Plymouth
 - C. (page 95) Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, 2021 Series B (Element)
- 8. Discussion Items**
 - A. (page 181) 2nd Quarter FY 2021 Financial Reporting Package
 - B. (page 191) First Quarter 2021 Progress Report: 2020-22 Strategic Plan and 2020-21 Affordable Housing Plan

9. Information Items

None.

10. Other Business

None.

11. Adjournment

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday, January 28, 2021
1:00 p.m.
Via Conference Call

1. Call to Order.

Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:02 p.m.

2. Roll Call.

Members Present via conference call: Auditor Julie Blaha, Chair John DeCramer, Craig Klausing, Stephanie Klinzing, Stephen Spears and Terri Thao.

Minnesota Housing Staff present via conference call: Tal Anderson, Noemi Arocho, Jules Atagana, Jordan Bailes, Ryan Baumtrog, Vi Bergquist, Kevin Carpenter, Jimena Dake, Jessica Deegan, Diane Elias, Alison Ehlert, Rachel Franco, Anne Heitlinger, Darryl Hennen, , Jennifer Ho, Summer Jefferson, Kasey Kier, Greg Krenz, Tresa Larkin, Debbi Larson, James Lehnhoff, Nira Ly, Paul Marzynski, Jill Mazullo, Katie Moore, John Patterson, Devon Pohlman, Paula Rindels, Lael Robertson, Rachel Robinson, Anne Smetak, Corey Strong, Jodell Swenson, Tonya Taylor, Susan Thompson, Mike Thone, Nancy Urbanski, Nicola Viana, Sarah Woodward, and Kristy Zack.

Others present via conference call: Michelle Adams, Kutak Rock; Ramona Advani, Office of the Minnesota State Auditor; David R Anderson, All Parks Alliance for Change; Melanie Lien, Piper Sandler & Co.

3. Agenda Review

None.

4. Approval

Regular Meeting Minutes of December 17, 2020

Motion: Stephanie Klinzing moved to approve the December 17, 2020 Regular Meeting Minutes. Seconded by Craig Klausing. Roll call was taken. Motion carries 6-0. All were in favor.

5. Reports

A. Chair

None.

B. Commissioner

Commissioner Ho shared the following with the Board:

- Welcome Betsy Michels who joined the Agency earlier this month. Betsy is working with the Preservation Team in the Multifamily division.
- Hosted an impromptu voluntary All Staff Meeting to reflect on the January 6 events in Washington D.C.
- Servant Leadership Team will participate in sessions with Seena Hodges, CEO, The Woke Coach
- Chief Executive Benjamin's term expired in early January, 2021. She will reapply for the open board position.
- Provided an update on the Agency's recent virtual presentations to various Legislative Committees at the Capitol.
- Dan Kitzeberger, Legislative Director, is on temporary assignment to Department of Health
- COVID-19 Emergency Rental Assistance Update
- We had a meeting with the foundations that provided philanthropic resources related to the COVID-19 Housing Assistance Program
- Connected with Federal Reserve Bank of Minneapolis President Neel Kashkari, and Alene Tchourumoff, Sr. Vice President of Community Engagement, about housing finance agency priorities for the new COVID-19 Emergency Rental Assistance program
- COVID-19 Housing Assistance Program Update

C. Committee

None.

6. Consent Agenda

Board member Stephanie Klinzing requested that all Consent Agenda items be moved to Action for discussion. Presentations were provided by staff on each of the following items. Board members asked a series of questions and staff provided answers.

- A.** Reconfirmation and Modification, Housing Infrastructure Bond loan commitment
- Lydia Apartments, D3145, Minneapolis

Motion: Stephanie Klinzing moved to approve Reconfirmation and Modification, Housing Infrastructure Bond loan commitment - Lydia Apartments, D3145, Minneapolis. Seconded by Terri Thao. Roll Call was taken. Motion Carries 6-0. All were in favor.

- B.** Approval, Waiver to the Rehabilitation and Emergency & Accessibility Loan Programs
Procedural Manual Requirements

Motion: Stephanie Klinzing moved to approve Approval, Waiver to the Rehabilitation and Emergency & Accessibility Loan Programs Procedural Manual Requirements. Seconded by Terri Thao. Roll Call was taken. Motion Carries 6-0. All were in favor.

C. Approval, Minnesota City Participation Program

Motion: Stephanie Klinzing moved to Approval, Minnesota City Participation Program. Seconded by Auditor Blaha. Roll Call was taken. Motion Carries 6-0. All were in favor.

D. Approval, 2020-2022 Strategic Plan Revision

Motion: Stephanie Klinzing moved Approval, 2020-2022 Strategic Plan Revision. Seconded by Craig Klausing. Roll Call was taken. Motion Carries 6-0. All were in favor.

7. Action Items

A. Deferred Payment Loan and Deferred Payment Loan Plus Loan Amount Changes

Krissi Mills presented to the board a request for approval for increases to the Deferred Payment Loan and Deferred Payment Loan Plus program maximum loan amounts and updates to the corresponding procedural manual. Board members asked a series of questions and staff provided answers.

Motion: Terri Thao moved Approval, Deferred Payment Loan and Deferred Payment Loan Plus Loan Amount Changes. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

B. Commitment, Low and Moderate Income Rental Loan, and Low and Moderate Income Rental Bridge Loan - North Moorhead Village D8118, Moorhead

Jimena Dake presented a request for adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental commitment in the amount of up to \$2,409,000 and a Low and Moderate Income Rental Bridge Loan commitment not to exceed \$5,485,000. There were no questions from board members.

Motion: Craig Klausing moved Commitment, Low and Moderate Income Rental Loan, and Low and Moderate Income Rental Bridge Loan - North Moorhead Village D8118, Moorhead. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

C. Approval, Selection of Red Willow Estates and Revision of Housing Tax Credit (HTC) Selection Resolution and Modification of Two HTC Project Allocations

Summer Jefferson presented a request for approval to modify the HTC allocations to Manor Hills Apartments and Marketplace Crossing I, and to select Red Willow Estates for an allocation of HTCs as a result of the HTC appeal process. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers.

Motion: Terri Thao moved Approval, Selection of Red Willow Estates and Revision of Housing Tax Credit Selection Resolution and Modification of Two HTC Project Allocations. Seconded by Stephen Spears. Roll call was taken. Motion carries 6-0. All were in favor.

D. Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, 2021 Series A (North Moorhead)

Kevin Carpenter presented a request for authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed \$5,485,000 and will be used to acquire and finance the acquisition and construction of a 46-unit rental housing development located in Moorhead. The Agency currently expects to price and issue these Rental Housing bonds in March. Michelle Adams, Kutak Rock, joined the call to review the resolution. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers.

Motion: Auditor Blaha moved Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, 2021 Series A (North Moorhead). Seconded by Craig Klausing. Roll call was taken. Motion carries 6-0. All were in favor.

E. COVID-19 Emergency Rental Assistance

Rachel Robinson and Jessica Deegan presented a request for approval to establish the COVID-19 Emergency Rental Assistance program. The Emergency Rental Assistance program will be funded by federal appropriations and will provide resources to assist households that are unable to pay rent and utilities due to the COVID-19 pandemic. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers.

Motion: Craig Klausing moved COVID-19 Emergency Rental Assistance. Seconded by Auditor Blaha. Roll call was taken. Motion carries 6-0. All were in favor.

F. Request for Delegated Authority Related to COVID-19 Emergency Rental Assistance

Anne Smetak, on behalf of Commissioner Ho, presented to the board a request for approval of the delegation of authority in order to facilitate the administration of COVID-19 Emergency Rental Assistance. Chair DeCramer opened the discussion. There were no questions from Board members.

Motion: Stephanie Klinzing moved Approval, adoption of a request for Delegated Authority Related to COVID-19 Emergency Rental Assistance. Seconded by Terri Thao. Roll call was taken. Motion carries 6-0. All were in favor.

8. Discussion Items

A. 2021 Governor's Budget Recommendations

Ryan Baumtrog provided the Board with an update on the Agency's 2021 Governor's Budget Recommendations.

9. Information Items

A. 2020 Consolidated Annual Performance and Evaluation Report

B. Post-sale report, RHFB 2020 Series HI

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 3:09 p.m.

John DeCramer, Chair

DRAFT

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Item: Adoption, Resolution Authorizing Amendments to Minnesota Housing Finance Agency Direct Purchase Revolving Line of Credit Notes

Staff Contact(s):

Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Debbi Larson, 651.296.8183, debbi.larson@state.mn.us

Paula Rindels, 651.296.2293, paula.rindels@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests approval of the attached resolution authorizing the amendment to certain terms of the Agency's Direct Purchase Revolving Line of Credit Note Agreement

Fiscal Impact:

The proposed amendment does not increase the limitation on ongoing costs from the limits in the previous authorizing resolution; as before, the Agency will pay interest on any amounts drawn under the facility and the Agency will also pay a fee on the undrawn amount.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Background
- Resolution

Background

At its meeting on April 26, 2018, the Board authorized the issuance and sale of a Direct Purchase Revolving Line of Credit Note. The Credit Note is a tool to help preserve limited tax-exempt private activity bond volume cap since that volume cap is critical to supporting the Agency's financing of its homeownership and rental housing programs. Among other terms, the resolution adopted in April 2018 limited the amount of the Credit Note outstanding at any one time to \$80 million. Subsequently, at its meeting in October 2019, the Board authorized an increase in the maximum amount outstanding to \$120 million and continued that authorization by resolution at its meeting in October 2020. While the Agency accessed that increased amount for a limited period of time, when it was no longer necessary to maintain the higher limit, the finance team worked with the Credit Note Provider, the Royal Bank of Canada (RBC), to adjust the maximum amount outstanding downward, when projections showed the higher limit would not be necessary in the near future.

Due to the high volume of loan repayment, as well as the ongoing financing of new production, the Agency is again periodically running into constraints due to the previously authorized \$120 million maximum outstanding limit. Accordingly, Agency staff are requesting authority to raise the maximum amount outstanding at any time to \$200 million, though initially RBC has agreed to raise the limit to \$150 million.

The maximum cumulative principal amount on the Credit Note remains at \$1,100,000, and the term of the Revolving Credit Note Agreement expires on December 31, 2021.

The initial issuance of the Credit Note in 2018 replaced the Index Flexible Drawdown Bonds the Board approved in April of 2016.

Since 2016, the Agency has used almost \$900 million in "recycling" capacity under these two Agreements. These facilities have enabled the issuance of a like amount of tax-exempt bonds without consuming private activity volume cap, which remains a critical and limiting resource for financing our affordable homeownership and rental housing programs on a low-cost basis. Providing additional flexibility for future recycling capacity continues the Agency's approach to maximizing the financial leverage provided by tax-exempt bonds as a source of capital for the Agency's critical programs.

RESOLUTION NO. MHFA 21-007

RESOLUTION AMENDING RESOLUTION NO. 20-055, RELATING TO A NOTE ISSUED PURSUANT TO A REVOLVING CREDIT AGREEMENT, IN ORDER TO INCREASE THE AMOUNT OF THE NOTE PERMITTED TO BE OUTSTANDING AT ANY ONE TIME

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY (the “Agency”), as follows:

Section 1. Recitals.

1.01. Authority. The Agency is authorized under Minnesota Statutes, Chapter 462A, including, without limitation, Section 462A.08 thereof, as amended to issue bonds and notes and enter into loan agreements and request advances thereunder from time to time for the purpose of refunding any bonds or notes of the Agency then outstanding.

1.02. Purpose. Pursuant to Resolution No. MHFA 18-004, adopted April 26, 2018 (the “Original Resolution”), the Agency determined to enter into a Revolving Credit Agreement dated as of June 1, 2018 (the “Original Revolving Credit Agreement”), between the Agency and Royal Bank of Canada (the “Bank”) whereby the Agency approved the issuance and sale of a note (the “Original Note”) to evidence and secure cash advances from the Bank to the Agency pursuant to the terms of the Original Revolving Credit Agreement (the “Advances”); the Advances are used to preserve funding for the Agency’s program (the “Program”) of purchasing mortgage loans made to low and moderate income persons and families to finance owner-occupied single family housing by refunding eligible bonds and notes of the Agency from time to time (the “Refundings”). The Original Revolving Credit Agreement and the Original Note have been amended from time to time to reflect changes in their terms. Pursuant to Resolution No. 20-055, adopted by the Agency on October 22, 2020 (the “2020 Note Resolution”), the Agency authorized (i) the Third Amendment to Revolving Credit Agreement, dated November 12, 2020 between the Agency and the Bank (the “Third Amendment to Revolving Credit Agreement” and, together with the Original Revolving Credit Agreement and its prior amendments, the “Amended Revolving Credit Agreement”), and (ii) an amended and restated note payable to the order of the Bank in a maximum cumulative principal amount of \$1,100,000,000 (as such note was amended and restated on November 12, 2020, the “Amended Note”).

The 2020 Note Resolution limited the principal amount of the Amended Note permitted to be outstanding at any one time to \$120,000,000. It is now determined to be in the best interests of the Agency to amend the 2020 Note Resolution in order to increase the permitted outstanding principal amount of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby to an amount that may not exceed \$200,000,000 at any one time.

Section 2. Amendments.

2.01. Amendment to Section 2.01. Clause (a) of the first sentence in Section 2.01 of the 2020 Note Resolution is hereby deleted in its entirety and in place thereof the following is inserted:

(a) the outstanding principal amount of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby may not exceed \$200,000,000 at any one time,

2.02. Amendment to Section 3(A). The first sentence of Section 3(A) of the 2020 Note Resolution is hereby deleted in its entirety and in place thereof the following is inserted:

The Amended Note will be issued in a maximum principal amount of \$1,100,000,000, provided that the outstanding principal amount of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby may not exceed the lesser of \$200,000,000 or the “Commitment Amount” set forth in the Amended Revolving Credit Agreement, and will be dated the date of its initial delivery.

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Adopted by the Minnesota Housing Financing
Agency this 25th day of February, 2021.

By: _____
Chairman

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 21-007]

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Item: Approval of Changes to the Bridges and Bridges Regional Treatment Center Rental Assistance Programs Guide

Staff Contact(s):

Ellie Miller, 612.508.7758, ellie.miller@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff proposes revisions to the Bridges and Bridges Regional Treatment Center Rental Assistance Programs Guide

Fiscal Impact:

Yes

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):

- Bridges and Bridges Regional Treatment Center Rental Assistance Programs Guide (with track changes)

Program Description:

The Bridges and Bridges Regional Treatment Center Rental Assistance Programs (Bridges) provide temporary rental assistance, security deposits, and access to housing supports and supportive services for low-income people with mental illness. The rental subsidy is temporary and is intended to bridge the housing gap people may experience between exiting institutional and segregated settings and entering permanent housing that is affordable. But for this bridge, the person may otherwise be homeless. The program includes local partnerships with mental health agencies to provide access to supportive services to help households maintain housing stability.

Summary:

Bridges is preparing for the next request for proposals (RFP) to select applications for a new two-year grant period that will begin in July 2021 and end in June 2023. The proposed program guide changes are designed to provide support for Bridges providers, broaden access to the program for underserved populations, and help address underutilized program resources due to a lack of landlords and available housing for people who have barriers that may limit their housing options. There are also a number of other updates and edits.

Outreach was conducted over the last two years to develop the proposed program guide changes. Important insight was collected in workgroups utilizing the Minnesota Department of Human Rights anti-racism tool. The Department of Corrections was involved to include the perspective of correctional facilities and people on supervised release. Outreach to tribes and collaboratives that are working to serve the urban Indian population also helped inform program referral processes.

The primary changes in the program guide include:

1. Governing Statutes (Chapter 2.01) – Since the section already included a reference to the statute number, the text of the statute was removed to help forgo inconsistencies with the statutes in the event of a statutory change.
2. Eligible Entities (Chapter 2.02) – The entities descriptions were updated and clarified, but there were no material changes.
3. Cooperative Agreement (Chapter 2.04) – The reference to including a behavioral health service agency and their role in the cooperative agreement was added in this section. The reference to the behavior health service agency continues throughout the document.
4. Program Obligations – Checklist of Responsibilities (Chapter 2.07) – The Mental Health Service Provider(s) were added to the Checklist of Responsibilities for the Cooperative Agreement. Housing agencies currently partner with the Adult Mental Health Initiative for program operation to coordinate referrals and assure access to services. Because the Adult Mental Health Initiative is a coordinating entity and not a service provider, there can be a lack of service provider accountability. This helps clarify and strengthen the links between service providers and helps ensure service commitments or resources for Bridges participants.
5. Administrative Fee (Chapter 2.12) – An analysis of other federal program administrative fees and provider responses indicated Bridges administrative fees were low when compared to other federal programs and should be increased, or at a minimum, adjusted for inflation. The administrative fee range was increased in the program guide to reflect the new dollar amounts. Minnesota Housing will approve administrative fees that range from \$53 per household per month to \$68 per household per month, up from \$45 and \$60 respectively. The Bridges administration fees are paid for directly from appropriations received by Minnesota Housing to administer the program. The Bridges appropriation received a base increase in FY2020, and a portion of this increase will cover the administrative fee increase.

6. Future Funding (Chapter 2.13) – Added a reference to new applications for funding providing culturally competent services and have referral sources that reach Black, Indigenous and people of color.
7. Bridges and Bridges RTC Eligibility Criteria (Chapter 3.01) – Combined Sections 3.01 and 3.02 into a single section but no material changes.
8. Tribal Nations and Nonprofit Organizations (Chapter 3.03) – Added a reference to nonprofit organizations, but this is not a policy change.
9. Outreach (Chapter 3.04) – For housing agencies that are not tribal nations, language was added for the housing agencies to identify strategies to serve tribal lands within their service region and to reach Indigenous people not on tribal land but within their service region.
10. Calculating Gross Income (Chapter 3.09) – Clarified that earned income of minors and income of live-in healthcare aids is excluded from the income eligibility calculation.
11. Bridges Waiting List (Chapter 3.11) – Expanded the definition of institution to include correctional facilities. The Bridges priority population is people exiting institutions and other segregated settings. The Bridges definition of institution was expanded to reach populations of people with disabilities that are currently underserved and to be more inclusive of Black, Indigenous, and people of color to receive service.
12. Inspections – Housing Quality Standards (Chapter 4.04) – In light of the COVID-19 pandemic, the language is being updated to allow for virtual inspections that meet HUD Housing Quality Standards (HQS) with certain limitations.
13. Security Deposits (Chapter 4.08) – Clarified the upper limit on charges for security deposit.
14. Eligible Payments (Chapter 4.10) – Expands the categories of eligible uses of funds to incent housing placements, including the ability to use funds for damage claims and vacancy payments. The providers need access to more uses to house people with barriers in the current housing market and the additional language allows staff to consider unique situations.
15. Fraud Disclosure and Suspension (Chapter 8) - Update to the program guide to be consistent with similar language used in other programs.

Ongoing Discussion and Next Steps:

To continue learning from people with disabilities that are directly receiving rental assistance and in anticipation of the next RFP, Bridges program elements will be discussed and reviewed with the Olmstead team workgroups that are convening in the spring 2021. The Bridges providers and stakeholders will also be included in the following conversations:

- How to strengthen relationships with property owners/managers;
- How to identify and encourage tenant screening practices that allow underserved populations greater access to housing;
- Exploring different habitability standards and rent structures that create housing options for people with barriers;
- How to utilize administrative fees to incentivize provider best practices; and
- Exploring a mitigation fund and criteria for disbursement to further incent landlord participation.

The next Bridges Rental Assistance Request for Proposals will launch in February 2021 and staff anticipates selections will be prepared for board in April 2021.

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Bridges and Bridges Regional Treatment Center Rental Assistance Programs Guide

February ~~2019~~2021



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An equal opportunity employer.

This information will be made available in alternative format upon request.

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MINNESOTA HOUSING – BRIDGES RENTAL ASSISTANCE PROGRAM GUIDE

Chapter 1 – Program Overview

The Minnesota Housing Finance Agency (Minnesota Housing), in partnership with the Minnesota Department of Human Services Behavioral Health Division (DHS-BHD), manages the Bridges Rental Assistance Program (Bridges). Minnesota Housing enters into contracts with local Housing Agencies to provide assistance to eligible households. Bridges goals are to:

- Provide housing subsidies for people with mental illness who are experiencing housing instability in order to bridge the time until a federal or other permanent housing subsidy program is available
- Maintain and foster the integration of people with mental illness into their communities through a partnership of housing subsidy and supportive services

Bridges provides a temporary housing subsidy for Participants in which at least one adult member has a mental illness and whose household gross income is under 50% of the area median. Bridges funds may be used to pay rent directly to a landlord, security deposits, application fees, ~~and the full rent for up to 90 days during a medical, behavioral health or psychiatric crisis.~~ utility connection fees, damage claims and vacancy payments. The housing subsidy is provided while the Participant is on a waiting list for federal or other permanent housing subsidy programs or it is provided to a Participant who will apply when the waiting list opens.

Minnesota Housing enters into Bridges ~~Contracts~~ Grant Contract Agreements with local Housing Agencies ~~who (housing authority, nonprofit organizations and/ or tribal nation) some of which~~ also manage a permanent housing subsidy program. The ~~Housing~~ Agencies work with applicants and issue monthly housing subsidies that are paid to the landlord on behalf of Participants. The Housing Agency partners with a Local Mental Health Entity (LMH Entity) and a Behavioral Health Service Agency/Agencies and partners that provide Housing Stabilization Services in the region in order to provide access to ~~mental~~ culturally appropriate behavioral health services and Housing Stabilization Services. The LMH Entity enters into a Cooperative Agreement with the Housing Agency to define roles and responsibilities under Bridges. Participation in services and housing are voluntary, so the Housing Agency, LMH Entity, and Behavioral Health Service Agency/Agencies and partners providing Housing Stabilization Services need a clear partnership and strategy for supporting the Participant's ongoing health and housing stability. The standards for the Cooperative Agreement and partnership expectations can be found later in this guide.

~~Because~~ Bridges serves as a transition to a permanent subsidy, and many provisions of the program are similar to those in the Housing Choice Voucher (HCV) Program. Examples of similar HCV Program policies include verification of income, leasing procedures, federal Housing Quality Standards (HQS) and payment standard limits on rents. However, Bridges has required priorities for serving households who have histories of instability and Homelessness and the program is therefore designed to be more flexible in admission criteria. The Bridges housing subsidy is determined by a calculation using the gross income of the household and does not include the same deductions that are used in the HCV Program: to include utility allowances. The maximum subsidy is the difference between the Participant Rent and the contract rent, up to the local payment standard (LPS).

Once initial eligibility has been determined, a Bridges Participant remains eligible to receive a housing subsidy if the housing assistance is still needed, the household is waiting for another permanent rental subsidy, and the household complies with program requirements.

MINNESOTA HOUSING – BRIDGES RENTAL ASSISTANCE PROGRAM GUIDE

The Bridges Regional Treatment Center Program (Bridges RTC) is a program that is administered through the same rules and procedures contained in this Program Guide, with some exceptions noted throughout. Bridges RTC provides a subsidy for people who meet Bridges eligibility criteria and who are being discharged from the Anoka Metro Regional Treatment Center (AMRTC), St. Peter Regional Treatment Center, [or now known as](#) Forensic Services.

MINNESOTA HOUSING – BRIDGES RENTAL ASSISTANCE PROGRAM GUIDE

Chapter 2 – General Administrative Requirements

2.01 Governing Statute

Bridges provides rental subsidies in accordance with Minnesota legislation that authorizes and appropriates funds under provision of Minnesota Statute Section 462A.2097.

The agency may establish a tenant-based or project-based rental housing assistance program for persons of low income or for persons with a mental illness or families that include an adult family member with a mental illness. Rental assistance may be in the form of direct rental subsidies for housing for persons or families with incomes of up to 50% of the area median income as determined by the United States Department of Housing and Urban Development, adjusted for families of five or more. Housing for the mentally ill must be operated in coordination with social service providers who provide services requested by tenants. Direct rental subsidies must be administered by the agency for the benefit of eligible tenants. Financial assistance provided under this section must be in the form of vendor payments whenever possible. HIST: 1995 c 224 s 108

2.02 Entities

The Housing Agency can be a Public Housing Authority, a community development agency or an economic development agency that also manages an HCV Program. Under unique circumstances, such as there being no other agency in the region willing to oversee Bridges, a non-profit organization may also be a Housing Agency if it is able to demonstrate qualifications and experience. Tribal nations may also be a Housing Agency.

A Housing Agency must enter into partnership with an LMH Entity responsible for coordinating the local mental health system to oversee operations of Bridges. Current Bridges and Bridges RTC administrators, and new applicants are eligible to apply for funding if they meet the requirements listed below.

Eligible Bridges Applicants: Eligible Bridges applicants must be a Housing Agency, tribal nation, or nonprofit organization with demonstrated experience working with low-income housing programs and with people exiting institutions, segregated settings, and supervised release. In order to be eligible, the application must also include a partnership with a Local Mental Health Entity (LMH Entity) that will collaborate with the Bridges administrator to implement the program. The partnership must also identify behavioral health service partners that can and are committed to serve Bridges participants in the service area.

An LMH Entity can be:

- A Local Mental Health Authority (LMHA) operating under the authority of the county
- A ~~Tribal Nation Mental Health Agency~~tribal nation mental health agency operating under the authority of the tribal government
- An Adult Mental Health Initiative ~~(AMHI) comprised, which is a collaboration of an LMHA, multiple county LMHAs, tribal nation(s) or LMHA(s) and/or a tribal nation(s) mental health agency that provides or enhances coordination of the delivery of mental health services required under the Minnesota Adult Mental Health Act~~

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NOTE: Subgrantees:

Grantees may serve a large geographic area, and as a result, they may have partnered with subgrantees such as other Housing Agencies, a qualified nonprofit, or a tribal nation to better serve Participants in the region. If a subgrantee arrangement exists, grantees are expected to enter into formal agreements with subgrantees and impose, at a minimum, the same expectations that Minnesota Housing requires of grantees. In addition, grantees should [help](#) ensure that communication received from Minnesota Housing is relayed to subgrantees.

2.03 Service Area

Each Housing Agency administering Bridges will operate in the geographic area indicated in its Bridges [Grant Contract](#) Agreement, which is known as the Service Area. Minnesota Housing must [receive a written notification of the change and](#) approve ~~in writing~~ any change in the Service Area designation.

2.04 Cooperative Agreement

Bridges operates as a partnership between the Housing Agency that provides housing subsidies and an LMH Entity ~~that provides,~~ [Behavioral Health Service Agency/Agencies, and partners providing Housing Stabilization Services that provide](#) connections to housing supports and mental health services to Participants. Each Housing Agency administering Bridges must enter into a Cooperative Agreement with an LMH Entity [and identify partnerships with a Behavioral Health Service Agency/Agencies](#) to coordinate the implementation of the program. The Housing Agency ~~and the,~~ LMH Entity, [Behavioral Health Service Agency/Agencies, and partners providing Housing Stabilization Services](#) will perform the duties indicated in the Cooperative Agreement. Any changes in the Cooperative Agreement must be approved by the county or tribal nation. [The LMH Entity needs to Minnesota Housing must receive a written notification of the change and approve any change and complete an amendment to the contract. The LMH Entity must](#) notify DHS-BHD of these changes.

The goal of the Cooperative Agreement is to assist people with mental illness in obtaining and retaining stable, affordable housing within their community. Other aspects of the Cooperative Agreement should contain:

- Designation of the Parties (LMH Entity ~~and,~~ Housing Agency, [Behavioral Health Service Agency/Agencies and partners providing Housing Stabilization Services](#)) entering into the Cooperative Agreement and unique features of the parties
- Terms of the Cooperative Agreement, including the duration
- Purpose, such as:
 - To foster cooperation between parties;
 - To assist people with mental illness in accessing appropriate housing, treatment, supportive services, and income supports
 - To assist people with mental illness to live in the community
- Guiding Principles
 - People with mental illness are full members of the community with all rights, privileges, opportunities, and responsibilities accorded to all people

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- People with mental illness are not required to accept services
- Support services are:
 - Based on need, preferences, and desires
 - Offered to the individual in the least restrictive manner
 - Flexible in location, intensity, and schedule
- Responsibilities

Lists the roles and responsibilities of the Housing Agency and the LMH Entity [and Behavioral Health Service Agency/Agencies and partners providing Housing Stabilization Services to include:](#)

 - [Who the referral sources will be and the process of referral; how are the resources identified for Bridges participants;](#)
 - [Who will provide housing placement and housing stability services](#)
 - [Who will assist with transition planning and applying for permanent housing](#)
 - Lists the Participants to be ~~served~~[serve](#)
 - Lists the services available to Participants
 - Lists the site of services, the times available, and the manner in which these services can be obtained
- Participant Rights and Responsibilities
 - Describes the rights and responsibilities of Participants
- Implementation and Evaluation
 - The process for modification, amendment, or termination of the Cooperative Agreement
 - Resolution of problems
 - Interagency meetings, including frequency, attendees, if known, dates
 - Involvement of Participants
 - Designation of liaisons to oversee, facilitate, monitor, and evaluate the Cooperative Agreement

Each Housing Agency must provide Minnesota Housing with a copy of the Cooperative Agreement as well as any subsequent modifications, amendments, or terminations. Minnesota Housing and DHS-BHD will review the Cooperative Agreement and make suggestions for modification. Executed copies of the Cooperative Agreement will be [an exhibit to the Grant Contract Agreement and should be](#) maintained by all parties to the ~~contract~~[Cooperative Agreement](#). (A sample [Cooperative Agreement](#) is provided on Minnesota Housing's website.)

The Housing Agency ~~and~~, LMH Entity, [Behavioral Health Service Agency/Agencies, and partners providing Housing Stabilization Services](#) will gather input from Participants in order to review the program and identify areas of strength and improvement.

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2.05 Data Privacy

In working with applicants and Participants, the Housing Agency ~~and LMH Entity, LMH Entity, Behavioral Health Service Agency/Agencies and partners providing Housing Stabilization Services~~ must comply with applicable data privacy laws and regulations. This includes the Minnesota Government Data Practices Act, which regulates information that can be obtained, stored, and/or released in connection with public programs. The Minnesota Housing Government Data Practices Act Disclosure Statement is available ~~online. This form on Minnesota Housing's website at www.mnhousing.gov. This statement~~ must be completed at initial occupancy and retained in the Participant's file. Additionally, the Housing Agency and LMH Entity need to use their own Release of Information (ROI) forms to share Participant information and complete income verification inquiries. ~~Finally, any households entered into the Homeless Management Information System (HMIS) need to sign another required ROI form to allow their tenant data to be entered into the HMIS system. This form is available on the HMIS website.~~

All ROIs that are signed by the ~~tenant~~[Participant](#) must be kept in both Housing Agency and LMH Entity files.

2.06 Foundational Service Practices

The concept of foundational service practices arises from the Minnesota Plan to Prevent and End Homelessness, which identifies four relevant areas of program implementation believed to have the greatest potential to positively impact outcomes for people experiencing Homelessness. Bridges administrators must establish these standards to more effectively serve individuals and families who experience challenges in accessing and maintaining participation in Bridges. They must also continuously improve practices as they identify where they can increase outcomes.

Documents Required for Enrollment

- Instead of requiring original documents, accept copies or other confirmation such as a Social Security number rather than the original card. Avoid requiring documents that are costly to obtain.
- Assist or refer the applicant to available resources that can help in gathering needed identification materials.
- Notify secondary contact of documentation requirements.
- Offer Certificate of Participation – Statement of Participant Obligations ([Bridges Form 6](#)) if verified efforts are underway to obtain required documentation.

Frequency of Required In-person Appointments

- An in-person appointment for the initial Briefing Session may be optional. Allow flexibility for the applicant.
- Annual recertification may be completed by fax, mail, or telephone.
- For in-person appointments, refer for assistance with transportation or offer a home visit option, if needed.
- Second and third chances – implement a lenient policy for missed appointments for people with disabling factors.

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- Encourage participation of secondary contact.
- Prior to termination from Bridges due to Participant not responding to communication or appointments, attempt to reach all known contacts in an efficient manner.

Mailing Address and Phone Number Requirements

- If the applicant is unable to provide an address, encourage them to provide the address of a family member, a friend, a social service provider, or a secondary contact. Update secondary contact information annually.
- Refer applicant to services for a free or low-cost cell phone, voicemail, or P.O. [Boxbox](#).

Communication Methods

- Provide multiple methods of communication, recognizing the barriers that mental illness can present in communication. Use mail, phone, fax, email. Text from [a](#) work phone if able and requested.
- Release of Information (ROI) for service provider, representative payee, or other secondary contact assisting the person is recommended. If an ROI is obtained, include the secondary contact on receipt of mailed and emailed documents.
- Clearly state open office hours.
- Provide opportunities for face-to-face communication. Clearly inform clients of the process and expectations.
- Clearly state in writing what changes or notices are required for continued participation.

In addition to the areas identified by the Minnesota Plan to Prevent and End Homelessness, the following two other areas of practice are required within Bridges. Administrators are also expected to align their policies to adhere to the following areas of service practices:

Criminal History

Bridges intake does not require a credit or rental history background check and is often more flexible than the HCV Program regarding criminal histories. Housing Agencies ~~or~~ the LHM Entity, [Behavioral Health Service Agency/Agencies, and partners providing Housing Stabilization Services](#) should refer Participants to housing navigation resources or assist Participants with finding an eligible rental unit that they can qualify for based on screening criteria. Criminal history is evaluated to:

- Determine whether an applicant is a lifetime registered sex offender or has been convicted of methamphetamine production in public housing-. [This does not disqualify them from Bridges, but must be considered as it does disqualify them from other federal subsidies, and a plan to transition to other permanent housing options will be necessary](#)
- Develop ways to support the individual in transition to the HCV Program
- Identify if tenancy supports and landlord engagement strategies are needed

Documenting Housing Status

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- Bridges does not require that an individual or family be experiencing Homelessness to apply; however, all Housing Agencies are required to have a preference for individuals leaving Institutions or who are experiencing Homelessness.
- If a household is claiming preference points, evidence that the household meets that preference must be verified and kept in the Participant file.

2.07 Program Obligations – Checklist of Responsibility

The following is a list of activities that are carried out in implementing Bridges. For each activity, either the Housing Agency ~~or the~~ LMH Entity, ~~or both~~ Behavioral Service Agency/Agencies, and partners providing Housing Stabilization Services or a combination, may be responsible. Responsibilities vary for different implementations of Bridges and must be described in the Cooperative Agreement. Only the Housing Agency and LMH Entity will be required to sign the Cooperative Agreement, but at least one Behavioral Service Agency/Agencies, and one partner providing Housing Stabilization Services with appropriate resources to provide services, must identify activities. Organizations should use this list as a tool for program development and as a resource for the creation of the Cooperative Agreement.

Activity	Housing Agency	LMH Entity	Behavioral Health Service Agency/ Agencies or partners providing Housing Stabilization Services
1. Publish information on the availability and nature of the program	x	x	x
2. Explain the program to the landlords, RTCs, community-based residential treatment facilities, counties, shelters, social service staff, applicants, and Participants	x	x	x
3. Encourage <u>Develop a variety of housing options and strengthen relationships with</u> landlords and managers to make units available for Bridges <u>Participants who may have barriers to housing</u>	x	x	
4. Develop an ROI form for use between the Housing Agency, <u>Service Providers</u> , and the LMH Entity	x	x	x
5. Inform of housing options outside areas of economic and racial concentration	x	x	x
6. Outreach to potential applicants meeting Bridges priorities: <ul style="list-style-type: none"> a. People residing in an Institution or other Segregated Setting <u>to include people on correctional supervision who will be homeless upon exit</u> 	x	x	x

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Activity	Housing Agency	LMH Entity	Behavioral Health Service Agency/ Agencies or partners providing Housing Stabilization Services
b. People who are experiencing Homelessness and are in need of Permanent Supportive Housing c. People who are experiencing Homelessness or who are at Imminent Risk of Homelessness			
7. Verify diagnosis of people with mental illness		x	x
8. For Bridges RTC, verify that the applicant meets the additional eligibility criteria	x	x	x
9. Verify income and assets	x	x	x
10. Maintain an applicant waiting list	x	x	x
11. Communicate with the Continuum of Care (CoC) regarding referrals from Coordinated Entry (CE)	x	✖	
12. Conduct Briefing Sessions explaining Participant's rights and responsibilities, including payment responsibilities	x		
13. Verify applicant's HCV Program eligibility and waiting list status	x	✖	
14. Calculate subsidy and Participant Rent	x		
15. Assist Participant with housing appeals for denial of eligibility		x	
16. Assist Participant in locating appropriate housing	x	x	x
17. Negotiate lease and conditions with landlord	x	x	x
18. Determine eligibility of selected units based on rent, unit size, and lease provisions	x		
19. Conduct HQS inspection of selected units	x		
20. Enter into, administer, and enforce Bridges Contracts with landlords	x		
21. Make payments to landlords	x		
22. Conduct annual and interim recertification of Participant eligibility	x		
23. Terminate Bridges subsidy for Participants who violate program regulations, become ineligible for	x		

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Activity	Housing Agency	LMH Entity	Behavioral Health Service Agency/ Agencies or partners providing Housing Stabilization Services
the HCV Program, or refuse an HCV subsidy when offered			
24. Maintain financial management records	x		
25. Maintain Participant demographic information	x	x	
26. Report required information to Minnesota Housing	x		
27. Provide after-hours emergency response to landlords, Participants, and the Housing Agency		x	x
28. Assist Participants who choose to be served with the following: a. Case Management services b. Diagnosis and treatment of mental illness c. Rehabilitation, vocational training, and employment assistance d. Income support and benefits e. General health care and dental services f. Alcohol and/or other drug abuse treatment g. Consumer and family involvement h. Legal protection (including protection provided under civil rights laws, such as the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990)		x	x
29. Notify Housing Agency of absences by Participants during medical behavioral health treatment or psychiatric crisis		x	x
30. Recalculate subsidy payment and utilities for Participants during medical or psychiatric crisis	x		
31. Develop and maintain a list of housing options	x		
32-31. Partner to increase the supply and options of housing available to people with mental illness (e.g., location, style, rent levels, flexible services, integration)	x	x	

2.08 Applicant/Participant Records

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Each Housing Agency will establish files for applicants and Participants. Minnesota Housing requires that these files contain copies of all Participant and property related forms listed below. ~~Many of the~~The following forms are available on Minnesota Housing's website at www.mnhousing.gov. Some of the following required documents do not have a specific form, as noted below, and Housing Agencies are expected to provide documentation in a format that contains the required elements. Required Bridges forms are updated regularly, and Housing Agencies are responsible for using the most current version of the required forms.

Required file documentation:

Form	Required – Specific Format	Required – Various Formats Accepted	Required Annually
1. Application for Bridges Program (Form 2)	x		
2. Preliminary screening forms developed locally for intake		x	
3. Minnesota Government Data Practices Act Disclosure Statement and Acknowledgement (signed by all adults 18 or older on lease)	x		
4. Verification of Mental Illness (Form 4) – Specific records and documents detailing the nature of applicant's illness should be retained by the LMH Entity	x		
5. Certificate of Participation – Statement of Participant Obligations (Form 6)	x		
6. Participant Agreement for Requirements of Continued Eligibility (Form 7)	x		x
7. Income and Asset Verification		x	x
8. Computing Gross Income, Participant Rent and Subsidy (Form 8)		x	x
9. Lead-based Paint Certification (if applicable)	x		
10. Housing Quality Standards (HQS) inspections	x		x
11. Executed lease agreement (no specific form; must be one to 12 month term)		x	
12. Addendum to Lease (Form 12)	x		
13. Lease Amendment/Extension (Form 13) (if applicable)	x		
14. Bridges Contract (Form 14)	x		
15. Certification and Authorization for Payment of Rent and Deposits During Crisis (Form 24)	x		
16. Evidence of homeless status or release from Institution required for Participants claiming waiting list priority points and all Bridges RTC Participants		x	
17. Eligibility/ineligibility notices sent to applicants/Participants by Housing Agency or LMH Entity		x	

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Form	Required – Specific Format	Required – Various Formats Accepted	Required Annually
18. Letters and notifications of outcome from informal hearings		x	
19. Documents and correspondence concerning the Participant’s application and participation in Bridges		x	
20. Initialed and dated notations regarding conversations about the Participant		x	
21. Notice of termination		x	

The main file for each applicant and Participant is kept by the Housing Agency. The Housing Agency may share any documentation that may be needed by the LMH Entity in carrying out its responsibilities to provide supportive services, provided an ROI has been completed. Both the Housing Agency and the LMH Entity need to retain a copy of the ROI in its permanent records. The sharing of information and documents should be outlined in the Cooperative Agreement.

2.09 Monitoring and Evaluation

Minnesota Housing will conduct ongoing evaluations of the financial reports and Participant files submitted by the Housing Agency. If the grant award is over \$250,000, annual monitoring will be required. If the grant award is less than that amount, monitoring will be required once during the biennium.

Minnesota Housing will review Participant files kept on site at the Housing Agency during site visits or through an audit of requested files. Review of the Housing Agency and LMH Entity partnership will also be conducted on a regular basis by both DHS-BHD and Minnesota Housing. The review may contain the following components:

- Participant files:
 - Verification of income and eligibility
 - Calculation of Participant Rent
 - Fair Market Rent (FMR) limits/local payment standards (LPS)
 - Lease agreements and contracts
 - Housing Quality Standards (HQS)
 - Additional information as required
- Financial records detailing:
 - Expenditures for subsidy payments to landlords
 - Security deposits
 - Payments during medical and psychiatric crises
 - Balance sheet and check register

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- Cooperative Agreement:
 - Partnership and communication
 - Management of capacity and funds
 - LMH Entity adherence to the Program Guide
 - [Behavioral Health Service Agency/Agencies and partners providing Housing Stabilization Services adherence to the Program Guide](#)
 - Housing Agency adherence to the Program Guide
- Interview of case managers, community support staff, and Participants

State Monitoring of Grantees: Grantees and subgrantees are responsible for maintaining financial records that document the use of all Bridges funds and that include all eligible payments. Grantees will be required to provide Minnesota Housing with a monitoring summary on the annual narrative report, which will include information on subgrantees. After completion of the grant term, grantees and subgrantees are expected to maintain all records for a minimum of six years after the grant term has ended. In addition to program financial records, client records must also be maintained for a minimum of six years after the grant term has ended. In addition, Minnesota Housing reserves the right to review financial and client records during this period, and records must be made available upon request.

Grantee Monitoring of Subgrantees: Grantees are expected to monitor subgrantee activities. Subgrantees should not receive advanced payment; rather, they should be required to submit an invoice with supporting documentation for services and assistance prior to receiving reimbursement from grantees. Grantees must determine that the Participants meet all the eligibility requirements prior to the subgrantee providing assistance. Subgrantees must also provide rental assistance calculations, verification of income and HQS inspection results to grantees before grantees can request from Minnesota Housing a rental payment for the Participant. Any payments made in error to an unqualified Participant, or incorrectly calculated, will be the responsibility of the grantee. Minnesota Housing is not responsible for reimbursement of erroneous or incorrectly calculated payments made to subgrantees.

In addition, if subgrantees are responsible for maintaining client files, grantees must, at a minimum, monitor them annually to [help](#) ensure proper procedures are followed and documentation is collected (refer to client file requirements for details).

Grantees must consult with Minnesota Housing staff in a timely manner any concerns that arise regarding the performance of a subgrantee, through monitoring or any other means, in areas such as client files or financial management. Minnesota Housing may recommend grantees take further action such as providing additional monitoring or developing a performance improvement plan with subgrantees.

2.10 Financial Management/Records

The Housing Agency must establish one or more separate bank accounts (checking or savings) for Bridges payments from Minnesota Housing. The Housing Agency may combine these funds with other funds in a consolidated account, provided that the Housing Agency's banking system can adequately segregate the various restricted funds within one account. Any interest earned on these funds may be retained locally and may be used in paying administrative expenses. Minnesota Housing will request

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financial information once during the biennium due to financial reconciliation requirements. The Housing Agency must maintain and make available records of payments to landlords.

2.11 Funding Reimbursement

Housing Agencies will prepare and submit to Minnesota Housing monthly payment requests that detail actual expenditures and Participant information for the previous month. The required [Rental Assistance Draw Request Form](#) is available on Minnesota Housing's website. The information collected on the Rental Assistance Draw Request Form includes:

- Actual expenses incurred in the payment of rent and eligible housing related expenses for the previous month
- A monthly Participant log for the previous month, which consists of information such as Participant name, unit address, move-in date, move-out date, contract rent, Participant Rent, subsidy amount, and security deposit amount, if paid from Bridges funds.

Minnesota Housing will use the monthly Rental Assistance Draw Request Form data to determine the reimbursement amount to be sent to the Housing Agency. The Housing Agency should submit the request for funds to Minnesota Housing no later than the 15th of each month, unless other arrangements have been approved by Minnesota Housing. At the end of the term of the Bridges [Grant Contract](#) Agreement, the Housing Agency must refund any excess subsidy funds or administrative fees.

2.12 Administrative Fee

At the time of selection for funding, Minnesota Housing will approve a monthly administrative fee for the Housing Agency, and it will be described in the Bridges [Grant Contract](#) Agreement. The administrative fee will be paid each month in which a Participant resides in an eligible Assisted Unit.

Minnesota Housing will approve administrative fees that range from \$~~4553~~ per household per month to \$~~6068~~ per household per month, based on the target number of households, the amount of the grant, the geography of the Service Area, the population served, and other relevant criteria.

2.13 Future Funding

Funding for Bridges will be allocated through a Request for Proposals (RFP) process. Minnesota Housing and DHS-BHD may follow one, both, or a combination of each of the following funding processes for a biennium. All current [grantees](#) and interested [grantees/parties](#) are encouraged to apply for Bridges funds. Housing Agencies with a current Bridges [Grant Contract](#) Agreement may be considered for funding based on the results of performance reviews, need, and utilization. New applications may be solicited, ~~with preference given to~~ [reach underserved areas and to identify Housing Agencies proposing to operate in areas underserved by rental subsidies for people with mental illness that provide culturally competent services and have referral sources that reach Black, Indigenous and People of Color that are exiting institutions, other segregated settings, or that are on supervised release.](#)

The scoring methodology is designed to incentivize grantees to be high performing agencies that strive to:

- ~~Identify and serve the Bridges priority populations~~
- Improve program design and procedures to efficiently serve the region identified in the contract

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- Develop staffing models and practices that create access for people with mental illness and diverse populations with high barriers to housing
- Create collaborative [behavioral health service system](#) partnerships that promote the best possible service outcomes for program Participants
- Track outcomes to show improved program practices

Chapter 3 – Household Eligibility, Intake and Certification

3.01 Bridges ~~and Bridges RTC~~ Eligibility Criteria

~~The basis for Bridges eligibility is as follows:~~

- ~~• The head of household or other household member must be 18 years of age or over and have a diagnosed mental illness as defined in the Minnesota Comprehensive Adult Mental Health Act, and that is verified using the Verification of Mental Illness (Form 4); and~~
- ~~• The household is eligible to receive an HCV or can become eligible based on successful participation in Bridges; and~~
- ~~• The gross income of the household, at the time of initial eligibility, is at or below 50% of area median income for the household size.~~

~~3.02 Bridges RTC Eligibility Criteria~~

~~Bridges RTC has additional eligibility criteria. Under Bridges RTC, an eligible Participant is defined as a person with mental illness that is eligible for Bridges and:~~

- ~~• Is hospitalized at AMRTC, St. Peter Regional Treatment Center, or Forensic Services and does not meet hospital level of care; and~~
- ~~• Has significant or complex barriers to accessing and retaining housing; and~~
- ~~• Is homeless or at Imminent Risk of Homelessness upon AMRTC, St. Peter Regional Treatment Center or Forensic Services admission or discharge.~~

Eligible Bridges and Bridges RTC Applicants: Eligible Bridges applicants must be a Housing Agency, tribal nation, or nonprofit organization with demonstrated experience working with people exiting institutions, segregated settings, and supervised release. In order to be eligible, the application must also include a partnership with a Local Mental Health Entity (LMH Entity) that will collaborate with the Bridges administrator to implement the program. The partnership must also include behavioral health service partners that have or can acquire resources or can and are committed to serve Bridges Participants in the service area.

An LMH Entity can be:

- A Local Mental Health Authority (LMHA) operating under the authority of the county
- A tribal nation mental health agency operating under the authority of the tribal government
- An Adult Mental Health Initiative (AMHI), which is a collaboration of county LMHAs and/or a tribal nation mental health agency that provides or enhances coordination of the delivery of mental health services under the Minnesota Comprehensive Adult Mental Health Act

NOTE: The application requires the expertise of both the Bridges rental assistance administrator and the LMH Entity in order to successfully respond.

Bridges RTC is designed to help individuals move from hospitalization at one of the specified state-operated facilities, to living in an integrated setting in the community of his or her choice. Referrals may come directly from AMRTC, St. Peter Regional Treatment Center, ~~or~~ Forensic Services, the LMH Entity

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or from other agencies. Participants should be contacted early about their housing preferences, well in advance of not meeting hospital level of care criteria. Identified Participants may transition to Intensive Residential Treatment Services (IRTS) or other treatment prior to community housing and retain their eligibility for Bridges RTC. Bridges RTC may be used as a diversion from AMRTC, St. Peter Regional Treatment Center ~~or~~ Forensic Services hospitalization in some cases, with prior written approval from Minnesota Housing and DHS-BHD.

3.03 Tribal Nations and Nonprofit Organizations

Programs operated by a tribal nation may have alternate eligibility criteria and rules around the HCV waiting list requirements that align with the permanent housing programs managed by the tribal nation. Because tribal nations and nonprofit organizations do not manage an HCV Program, Bridges policies that are specific to HCV Program alignment may not apply. Any alternate eligibility criteria or rules must be approved in writing by Minnesota Housing.

3.04 Outreach

Information about Bridges should be widely distributed by the LMH Entity, Behavioral Health Service Agency/Agencies, and the Housing Agency to people with mental illness who are experiencing housing instability or living in a segregated setting. Specifically, information will be provided to regional treatment centers, corrections staff, community-based residential treatment facilities, homeless shelters, transitional housing programs, board and lodges, county case managers, county employment workers, community mental health centers, drop-in centers, and Community Support Services Programs. The programs should also strive to serve households disproportionately impacted by Homelessness or housing instability, and develop outreach efforts to improve their ability to serve these households in their region. If the Housing Agency is not a tribal nation, and there is tribal land in the service region, specifics should be included to reach individuals on the reservation. If there is not tribal land in the service area, strategies to reach Indigenous people living in the area should be identified. People who reside outside the county, but for whom the county assumes financial responsibility, should also be informed of the opportunity to apply for Bridges. The LMH Entity is and the Behavioral Health Service Agency/Agencies are primarily responsible for outreach. Outreach should be well described in the Cooperative Agreement.

3.05 Application

Bridges applicants are required to complete the Application for Bridges Program (Form 2) and a Minnesota Government Data Practices Act Disclosure Statement. The LMH Entity or Behavioral Health Service Agency Agencies must verify that the head of household or another adult household member has mental illness as defined by the Minnesota Comprehensive Adult Mental Health Act. The LMH Entity must review that a qualified Mental Health Professional has signed the Verification of Mental Illness (Form 4) and has submitted it to the Housing Agency in a timely fashion. A mental health diagnosis is based on a diagnostic assessment not more than two years old. The Mental Health Professional must include documentation of this determination in the Participant's case file. At time of application, information regarding all of the applicant's previous living situations prior to program intake and extent of Homelessness must be collected and submitted upon participation in Bridges.

As part of application activity, the LMH Entity must:

- Inform applicants that receiving the Bridges subsidy may reduce other forms of aid that they may be receiving such as food stamps and Minnesota Supplemental Aid (MSA)

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- Inform applicants of what types of mental health services, community support services, and program services they are eligible for and make referrals for these services if the applicant agrees to a referral
- Advise applicants that participation in services is not required in order to participate in Bridges
- Inform applicants that, as a condition of receiving a Bridges subsidy, they must also be eligible to receive a federal or other permanent housing subsidy and accept the other subsidy when it is offered
- Develop and provide to each applicant a written document that incorporates the information in this section, as well as provide the information to the applicant verbally

3.06 Housing Choice Voucher Waiting List Requirements

Bridges Participants are required to apply for and accept, when offered, a federal or other permanent housing subsidy, primarily the Housing Choice Voucher (HCV) Program, formerly known as Section 8. ~~Tribal nation programs may determine another transition plan.~~ The Housing Agency will require Bridges applicants to complete an HCV application at the time of the Bridges application if they are currently not on the local waiting list. If waiting lists for the area are closed, the applicant must agree to apply to the HCV program as soon as the waiting list opens. The Housing Agency is responsible for notifying Bridges Participants of HCV waiting list openings. A Participant may apply to HCV programs outside of the area, but is not required to do so.

Participant files must contain evidence of the HCV application, or other permanent housing option, verifying the status on the waiting list(s) or documentation that the waiting list is closed, and the Participant will sign up as soon as a waiting list opens.

While the Participant is receiving a Bridges subsidy, the Housing Agency ~~and~~, LMH Entity, or Behavioral Health Service Agency/Agencies will monitor the applicant's status on the HCV waiting list(s) or assist the Participant to apply for an HCV when the waiting list opens. If a Participant does not accept an HCV, becomes ineligible, or refuses to apply for an HCV, the Participant may be terminated from Bridges.

3.07 Final Subsidy Review

The Housing Agency will calculate the subsidy based on gross income and issue the Participant a Certificate of Participation – Statement of Participant Obligations (Form 6). Income limits for Bridges are based on 50% of area median income as defined by The United States Department of Housing and Urban Development (HUD).

3.08 Appeals Process

Applicants and Participants may request an informal hearing to contest a determination made by the LMH Entity, Behavioral Health Service Agency/Agencies, or Housing Agency concerning eligibility to participate or for continued participation in Bridges. The LMH Entity or Behavioral Health Service Agency/Agencies is responsible for disability-related eligibility appeals. The Housing Agency will be responsible for housing-related appeals. The Housing Agency will use procedures established for use in its HCV administrative plan, or otherwise written procedures in the case of a Housing Agency without an HCV administrative plan.

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At an informal hearing, the applicant or Participant must be given an opportunity to view all documents and information used to make the decision and must have an opportunity to present his or her own evidence in support of eligibility or continued eligibility.

The applicant or Participant must be encouraged to have the LMH Entity [or Behavioral Health Service Agency/Agencies](#) assist them in their appeal. The hearing should be conducted by an individual who did not take part in the original decision that is being contested. Applicants and Participants must be notified in writing of the outcome of the hearing and be informed of the reason(s) for the determination.

3.09 Calculating Gross Income

Gross income includes all income expected to be received in the next 12 months for all household members age 18 and over, excluding the income of a non-related person who is living in the household solely to care for a disabled, handicapped, or elderly household member. When computing gross annual income, include the actual income earned from assets, such as interest or dividends.

Gross income includes, but is not limited to:

- Amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses
- Net income from operating a business ~~or profession,~~ [professional trade,](#) or from rental of real or personal property
- Interest and dividends
- Amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and similar types of periodic payments
- Unemployment, disability, or ~~workers'~~ [worker's](#) compensation or severance pay, and similar types of payments in lieu of income
- Public assistance payments
- Periodic allowances, such as alimony, child support, gifts/contributions received from people not residing with the ~~Participant~~ [participant](#)
- Regular and/or special pay and allowances for a member of the armed services who is the head of household or the spouse of the head of household

Gross income does not include:

- [Earned income of minors \(age 17 and under\)](#)
- [Income of live-in healthcare aides](#)
- Casual, sporadic, or irregular gifts
- Amounts specifically for reimbursement of medical costs, including Medicaid spend-down
- ~~property~~ [Property](#) losses, and similar lump sum amounts

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- Educational grants or scholarships paid expressly for tuition, fees, books, or equipment (amounts not [specified](#) for these purposes are counted as income)
- Combat pay for a Participant head of household who is in the armed services
- Relocation payments made under the federal Uniform Relocation Act (URA)
- Foster care payments
- Value of allotments such as food stamps and fuel assistance
- Payments made for people participating in federal or state volunteer programs

3.10 Verification of Income and Assets

Regarding verification of income and assets, Bridges follows HUD's Housing Choice Voucher Program Guidebook, [located at www.hud.gov](http://www.hud.gov), which explains verification by a third party. A Housing Agency may use the procedure it has adopted in its HCV administrative plan, or otherwise written procedures in the case of a Housing Agency without an HCV administrative plan.

Verified information must be no more than 120 days old prior to the award of the Bridges Certificate of Participation – Statement of Participant Obligations. Income and assets to be verified are:

- Records of earned income:
 - Income tax return – state and/or federal (most recent)
 - Paycheck stubs
 - W-2 forms
- Records of other income:
 - Pensions and annuities – most recent check stub from issuing organization
 - Social Security – current award letter
 - Unemployment compensation – determination letter or most recent check stub
 - Supplemental Security Income (SSI) – award letter or most recent check stub
 - Minnesota Family Investment Program (MFIP) – award letter or most recent check stub
 - Workers' Compensation – determination letter or most recent check stub
 - Alimony – copy of court order
 - Child support – copy of court order
 - Educational scholarships/stipends (federal Title IV grants are excluded) – award letter
 - Other public assistance – award letter
 - Income from assets – credit union/bank/savings and loan statements, etc.

Assets to be evaluated include, but are not limited to:

- Checking, savings accounts, or CDs
- Stocks and bonds

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- Mortgage note or property tax statement
- Life insurance policy redemption or cash surrender value
- Net equity in real property
- Personal property held as an investment

3.11 Bridges Waiting List

If the number of applicants for Bridges subsidies exceeds the number of subsidies available, a waiting list must be established. The Cooperative Agreement must specify:

- Party responsible for the waiting list
- Procedure for maintaining the waiting list
- Procedure for making selections from the waiting list (using priorities identified in the Cooperative Agreement)

Bridges is designed to assist people with high needs through ~~provision of a~~ housing ~~subsidy~~ subsidies that ~~is~~ are linked with community mental health services. To achieve this goal, administrators must ~~give priority to~~ prioritize the following populations, with highest priority given to people residing in an ~~Institution~~ institution or other ~~Segregated Settings~~ segregated setting who will be ~~Homeless Upon Discharge. These~~ homeless upon exit. The following priorities must be identified in the Housing Agency's waiting list management and tenant selection plan-:

1. People ~~residing~~ living in an ~~Institution or other Segregated Setting~~ institution, segregated setting, or under correctional supervision who will be ~~Homeless Upon Discharge~~ homeless upon exit.
2. People experiencing ~~Homelessness~~ homelessness who are ~~in need of Permanent Supportive Housing~~ assessed as determined by an approved assessment tool and referred by High Priority Homeless through the Coordinated Entry (CE) system, including households of individuals, families with children, or youth (age 18+).
3. People who are experiencing ~~Homelessness~~ homelessness or ~~are~~ at Imminent Risk imminent risk of homelessness.

Institutions: Institutions include facilities such as regional treatment centers, community behavioral health hospitals, nursing homes, adult foster care settings, or other hospital or residential treatment centers, jails, and prisons.

Segregated Settings: As defined by Minnesota's Olmstead Plan, segregated settings "often have qualities of ~~Homelessness~~ an institutional nature. Segregated settings include, but are not limited to: (1) congregate settings populated exclusively or primarily with individuals with disabilities; (2) congregate settings characterized by regimentation in daily activities, lack of privacy or autonomy, policies limiting visitors, or limits on individuals' ability to engage freely in community activities and to manage their own activities of daily living; or (3) settings that provide for daytime activities primarily with other individuals with disabilities."

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Correctional Supervision: A community -based sentence which is served by the offender in the community under the control and supervision of Correctional Officials, subject to conditions which have been set by the court or the Commissioner of Correctional Services.

To evaluate if a setting is potentially segregated, use the three criteria listed in the segregated settings definition. Behavioral health residential treatment facilities, including mental health and substance use disorder treatment programs, are typically segregated settings. Tribal definitions of segregated settings and institutions, if identified as different than above, will also be considered.

The Housing Agency must submit its waiting list selection plan to Minnesota Housing for review and approval. The plan must be developed jointly by the Housing Agency, the LMH Entity, Behavioral Health Service Agency/Agencies, and, where applicable, tribal nation. Other objective criteria may be included, such as household income or date and time of application, or a preference for transition-aged youth or families with children. Minnesota Housing may consider waiting list selection plan proposals that set aside a specific number of subsidies for households at Imminent Risk of Homelessness, in particular for Service Areas where low rental vacancy rates are contributing to administrators having difficulty utilizing subsidies.

Applicants who are experiencing Homelessness and claiming preference under priority two or three above must be referred from the local Coordinated Entry (CE), when it is available, with the exception for households who are at Imminent Risk of Homelessness. Verification of any waiting list priority must be kept in the applicant/Participant file. Tribal nation programs and nonprofit organizations may develop an alternate referral practice, which must be approved in writing by Minnesota Housing.

3.12 Verification of Bridges Waiting List Priorities and Bridges RTC Eligibility

The Housing Agency must retain evidence in the Participant file for Participants who are prioritized under priority one above. The LMH Entity is responsible for providing this evidence, which may be noted on the Verification of Mental Illness (Form 4), or on a separate document, and retained in the Participant file. People residing in an Institution or other Segregated Setting who will be Homeless Upon Discharge are not required to be assessed by or referred from CE.

For the second and third waiting list priorities, required documentation will be provided by CE and will demonstrate the assessment or ranking. Households at Imminent Risk of Homelessness are not required to be referred from CE and must provide evidence such as an eviction notice or notice of condemnation.

Verification that a person is at AMRTC, St. Peter Regional Treatment Center ~~or~~ Forensic Services, or was prior to entering an IRTS, is required for Bridges RTC. Verification may come from the referral source, which is usually the IRTS, RTC, county, or a tribal nation. People who are eligible but not identified while at AMRTC or Forensic Services may have that evidence confirmed after the fact by the facility.

3.13 Certificate of Participation – Statement of Participant Obligations

The administrator will issue a Certificate of Participation – Statement of Participant Obligations (Form 6) to each eligible Participant when they reach the top of the waiting list and are offered a rental subsidy.

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This document certifies that the Participant is eligible for Bridges and outlines the criteria for an eligible Assisted Unit. The document also describes the process and required documents for obtaining the subsidy as well as the Participant's obligations.

The Certificate of Participation – Statement of Participation allows the Participant 90 days to locate an eligible Assisted Unit and submit necessary documents to the Housing Agency. If a unit is not located within that timeframe, the Housing Agency has the discretion of extending the Certificate of Participation – Statement of Participant Obligations.

A signed Certificate of Participation – Statement of Participant Obligations is retained in the Participant file after it is issued at a Briefing Session where the program requirements are verbally explained to the Participant. The Housing Agency must inform the Participant during the Briefing Session that if they need additional time to locate an eligible Assisted Unit, they should contact the Housing Agency to request an extension of the certificate.

3.14 Unit Size (Occupancy Standards)

The Housing Agency may use the unit size (occupancy standards) established for their HCV Program. If different than the HCV Program, or if the Housing Agency does not have an HCV Program, the occupancy policy proposed for use in Bridges must be submitted to Minnesota Housing for review.

The bedroom size allocated to a Participant must count full-time household members, children expected to reside in the Assisted Unit, and any live-in attendant necessary to care for a household member living with a disability, regardless of age. The Housing Agency must count the child or children:

- Of a pregnant woman
- Being adopted
- Whose custody is being obtained
- In joint custody, as long as the child/children will live in the Assisted Unit at least 50-percent% of the time
- Who are in the unit under foster care
- Who are temporarily absent due to placement in a foster home

The Housing Agency and LMH Entity may establish criteria for granting exceptions to the occupancy standards. Exception criteria may include, but is not limited to, the following:

- Unique disability-related circumstances of the Participant
- Availability of the specified size in the Housing Agency's Service Area
- Housing market conditions prevalent in the Housing Agency's Service Area

An exception policy must be in writing and submitted to Minnesota Housing for review and approval and be made part of the Cooperative Agreement.

3.15 Rent Limits

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The maximum subsidy available to the Participant is the difference between 30% of their gross income and the area Fair Market Rent (FMR)/local payment standard (LPS) or contract rent, whichever is less. The Participant may rent a unit that exceeds the area FMR/LPS; however, the Participant is responsible for paying the difference. The maximum Participant Rent allowed is 40% of their gross monthly income. Bridges does not include utility allowances. FMRs are published by HUD annually and can be obtained at www.hud.gov. The LPS is established by the local Public Housing Authority (often the same as the Housing Agency) and is based on the FMR. Tribal nation programs may use an alternate written affordability standard, ~~which~~. Any alternate written affordability standard must be approved in writing by Minnesota Housing prior to its implementation, with such approval being at the sole discretion of Minnesota Housing.

3.16 Calculating Participant Rent

The Participant's Rent portion is calculated in a similar manner as the HCV Program, with the exception that Bridges uses gross income, not adjusted income. The minimum Participant Rent is 30% of their monthly income and the maximum payment is 40% of their monthly income. Participants can pay up to 40% of their monthly income if they choose a unit that exceeds the area FMR/LPS.

NOTE: The Bridges subsidy cannot pay more than the difference between 30% of the Participant's gross monthly income and the area FMR/LPS or the contract rent, whichever is less.

If zero income is claimed by a Participant at entry into the program, verification must occur again within 90 days and every 90 days thereafter. This verification requires the Participant to provide a signed zero income statement to the Housing Agency until a source of income is established. The LMH Entity or Behavioral Health Service Agency/Agencies will offer the Participant assistance in obtaining and maximizing income if the Participant wishes. It is important for the Housing Agency, Behavioral Health Service Agency/Agencies and the LMH Entity to collaborate in order to serve the target number of households by connecting households to eligible benefits and employment services.

Shared units can be provided only if allowed under the Housing Agency's HCV Program administrative plan or other written procedures approved by Minnesota Housing. The subsidy for shared households will be calculated according to the guidelines specified in the HCV Program administrative plan, except for the use of gross income for the Bridges Participant. Likewise, households that are comprised of eligible and ineligible members for the HCV Program are considered eligible for Bridges under the prorated formula defined in the HCV Program administrative plan. Tribal nation programs may use an alternate written standard, which must be approved in writing by Minnesota Housing.

3.17 Briefing Session

The Housing Agency must schedule a Briefing Session for each Participant receiving a Bridges Certificate of Participation – Statement of Participant Obligations for the first time. It is recommended that an LMH Entity representative or other secondary contact such as a friend or family member attend the Briefing Session. The Housing Agency may decide whether to hold individual or group sessions. If group sessions are held, the Participant's income and rent discussions must be conducted privately. A Briefing Session must be available by phone, ~~by request, if requesting and~~ if a Participant is unable to attend in person.

A Briefing Session must cover the following topics:

- Program overview of Bridges

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- Explanation of the Participant's obligations listed on the Certificate of Participation – Statement of Participant Obligations (Form 6)
- Review of the calculation worksheet, Computing Gross Income, Participant Rent and Subsidy (Form 8) and the amount of the Participant Rent
- Review of the lease approval process and the content of the forms, emphasizing provisions of the Request for Lease Approval (Form 10) that must be incorporated into landlord generated leases
- Key requirements in state law affecting landlord/Participant relationships
- Responsibility of the Participant to pay the Participant Rent as well as utility expenses not paid by the landlord
- Review of the HQS requirements for Assisted Units
- Service Area in which the Housing Agency may execute Bridges Contracts with landlords
- Assistance the LMH Entity, [Behavioral Health Service Agency/Agencies](#) and Housing Agency can provide if a Participant needs help locating a unit or in receiving mental health or other supportive services

At the session, the Participant signs and receives the Certificate of Participation – Statement of Participant Obligations (Form 6). Participants receive a briefing packet containing the following, or other similar information, which can be found on Minnesota Housing's website, unless otherwise noted:

- Index to Participant Briefing Packet (Form 16)
- Participant Rent Payment (Form 17)
- How to Find a Rental Unit (Form 18)
- How to Find a Unit that Meets Housing Quality Standards (Form 21)
- Request for Lease Approval (Form 10)
- Information on the Fair Housing Act (available from HUD)
- Landlords and Tenants Rights and Responsibilities (available from the Minnesota Attorney General's Office)
- Certificate of Participation – Statement of Participant Obligations (Form 6)
- Participant Agreement for Requirements for Continued Eligibility ((Form 7)

The Housing Agency may include additional materials that it deems useful for the Participant.

Chapter 4 – Leasing Process

4.01 Freedom of Choice in Selecting Units

Bridges will assist people with mental illness to live in various types of conventional rental housing that may be available in the Housing Agency's Service Area. While Participants may need advice about finding a unit and understanding legal requirements and options for making a selection, they have full responsibility for making the final choice. The Housing Agency, [Behavioral Health Service Agency/Agencies](#), and LMH Entity may not directly or indirectly reduce a Participant's opportunity to choose from any potentially eligible unit. The information and assistance given to Participants in locating housing must also provide a broad range of choices.

4.02 Eligible Units

The rental unit must be eligible for use by the Participant household under the local HCV Program or other identified permanent rental subsidy. Bridges Participants may choose from eligible units, which may include:

- Units owned or substantially controlled by a Housing Agency if all of the following apply:
 - All of a property's units are available for occupancy by the general public
 - Rents are market rate and subsidized only with Bridges funds
 - Minnesota Housing receives assurances that a Participant was given choices of other housing in the Service Area
- Units that were constructed with federal or state assistance such as Section 236 or USDA Rural Development, provided that:
 - Rents approved for Bridges Participants are the market rate for the building
 - No other deep subsidy (i.e. rent based on 30-~~percent~~% of income) is provided to the Bridges Participant

Subsidies cannot be provided for the following:

- Units within or established by public or private Institutions that provide psychiatric or medical services such as:
 - Nursing homes or psychiatric hospitals/facilities
 - Board and care facilities
 - Other facilities such as independent group residences established specifically to serve people with mental illness
- Landlord occupied units (unless the Participant leases a portion of the unit, such as a basement that contains a private entrance, private bath and private kitchen)
- Lot rental for a landlord occupied manufactured home

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4.03 Utility Allowances

Bridges does not provide utility allowances.

4.04 Inspections – Housing Quality Standards

All properties and units to be leased by Participants must be inspected by [the Housing Agency or a qualified person, someone that was trained by someone that is certified in Housing Quality Standards \(HQS\), or someone that is certified with the Housing Agency. The Housing Agency can also use a](#) contracted housing professional certified or otherwise qualified to perform HQS inspections. A standard federal form (or another version approved by HUD) must be used for reporting the results of the inspection. Units must pass the initial inspection before the Housing Agency makes a payment to the landlord. No subsidy payments from Bridges may be made for a period when the unit was not in compliance with the initial or annual HQS requirements. Exceptions may be considered for unusual circumstances, fully documented in the Participant file, and [approved in writing by for which](#) Minnesota Housing [has given written approval](#).

Units must be inspected at least annually. Housing Agencies should schedule the inspection well in advance of the annual due date in order to allow time for repairs, if needed. A copy of all HQS inspections, including passes and fails, must be kept in the Participant's file.

[Minnesota Housing allows virtual HQS inspections except under the circumstances listed below:](#)

- [Properties built before 1978](#)
- [Units owned or leased by landlords unfamiliar to the Housing Agency](#)
- [No more than 50% of all units assisted can be inspected virtually each year](#)
- [Landlord, Participant, or other party requests a physical inspection](#)
- [Landlord and/or tenant Participant does not have the technology or resources to complete a virtual inspection](#)

NOTE: [Re-inspections of failed items can be completed either as a physical or virtual inspection regardless of the method used in the first inspection. Re-inspections would not count toward the 50% limit on virtual inspections.](#)

[Virtual inspections must be completed using the same HQS forms, procedures, and standards as physical inspections. Special safeguards may need to be taken to protect Participant information.](#)

4.05 Portability

Bridges Participants must lease a unit within the Service Area of the Housing Agency in which they applied. The Bridges subsidy is not portable outside of the Service Area. Participants who wish to relocate must apply to Bridges or other housing resources in their desired area. The LMH Entity [and Behavioral Health Service Agency/Agencies](#) will assist Participants to assess other housing options.

4.06 Leasing Procedures

The procedure for processing leases is similar to the HCV Program:

1. The Participant locates a suitable unit [with assistance, if needed](#).

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2. The Participant submits a signed Request for Lease Approval (Form 10).
3. The Housing Agency conducts an HQS inspection.
4. If the unit passes the HQS inspection, the lease and the Bridges Contract (Form 14) are signed with the landlord.

The term of the lease may not extend beyond one year. The Housing Agency, at its sole discretion, may permit lease terms from one month to [twelve12](#) months. A copy of the lease, the HQS inspection report, and the Bridges Contract (Form 14) must be retained in each Participant file.

4.07 Lease Amendment/Extension

A current lease agreement is required for all Bridges Participants. Some lease agreements may have a provision for a renewal after the initial term. Renewals may be month to month or longer, up to a maximum of one year.

A Lease Amendment/Extension (Form 13) must be signed at the time that a lease expires and parties to the lease would like to extend the term or when parties to the lease agree to an increase to the contract rent.

In the case of income changes, which result in a change to the rental subsidy and the tenant paid rent, a Lease Amendment/Extension (Form 13) is not required, but verification of income and the calculation of the rental subsidy must be retained in the Participant file. The Housing Agency must notify the landlord and the Participant, in writing, of the new amounts.

4.08 Security Deposits

If the Participant cannot afford to make a security deposit for the Assisted Unit and no other resource is available within a reasonable amount of time, the Housing Agency, upon request of the Participant, may pay the security deposit to the landlord using Bridges funds. The security deposit may ~~not~~ exceed one month's rent, [not to exceed a double deposit \(two months' rent total\), when no other resources are available](#), and cannot be paid until after a unit passes inspection. Bridges RTC allows security deposits to be paid up to an amount equal to two months of contract rent, if necessary, to [help](#) ensure landlord cooperation and if no other resources are available within a reasonable amount of time. If the landlord requires a deposit in excess of one month's rent, other resources may be combined.

If the Participant leaves a unit and the unit has damages or unpaid rent and/or unpaid utilities, then the landlord retains all or part of the security deposit to pay for unpaid rent and/or unpaid utilities or damages to the unit or property. The landlord must provide documentation to the Housing Agency and Participant that the deposit, plus interest, was used to offset expenses.

Participants who are transferring to a new Assisted Unit may request assistance from the Housing Agency for a new security deposit, which may be permitted at the Housing Agency's discretion.

A Participant may keep all or part of the security deposit, plus interest, when any of the following apply. The Participant:

- Leaves a unit and the unit has no damages
- Leaves a unit and the unit has damages in an amount less than the security deposit

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- Stays in a unit, leaves Bridges and does not receive an HCV or a permanent subsidy
- Stays in a unit, leaves Bridges and goes onto an HCV or another permanent subsidy

A Participant may retain only the balance of ~~one~~ security deposit that has been paid from Bridges funds. If a Participant has left Bridges and reapplied, and has been issued a new Certificate of Participation – Statement of Participant Obligations, they may retain the balance of a second security deposit upon the sole discretion of the Housing Agency.

4.09 Payment Terms

The Bridges subsidy is equal to the contract rent less the Participant Rent. Subsidy payments will be made by the Housing Agency to the landlord on behalf of the Participants when all of the following payment terms have been met:

- The Participant leases a unit within HUD's published FMR or [LPS Local Payment Standard](#), or if the rent exceeds these rates, the participant's payment does not exceed 40 ~~percent~~% of their monthly income
- The Participant's unit has passed an HQS inspection
- The landlord and the Housing Agency have signed and dated a Bridges Contract
- The Participant and landlord have signed and dated an approved lease

The landlord may not charge more rent for Assisted Units than for comparable unassisted units. The landlord may not assess additional charges to the Participant for items not included in the rent unless all other Participants pay the same charges for the same items. All additional charges (e.g., garage rental, cable TV, storage lockers, pet deposits) must be described in the lease and approved by the Housing Agency.

Subsidy payments on behalf of Participants meeting the above requirements for payment will continue until the Participant receives a permanent housing subsidy, becomes ineligible, voluntarily withdraws from Bridges, or the program terminates.

The contract rent plus actual cost of utilities may be paid on behalf of Participants who have a mental health crisis and have their incomes diverted. Such payments may be made for up to 90 days. Written documentation on such situations must be retained in the applicant/Participant record. Housing Agencies, [Behavioral Health Service Agencies](#), and LHM Entities must first utilize the Crisis Housing Fund resources, if available.

4.10 Eligible Payments

The following types of payments may be made with Bridges funds:

- Direct payment to the landlord for the subsidy portion of the rent
- Payment to the landlord for the ~~security deposit~~ [Security Deposit, payment to the landlord for application fees](#),
- Payment to the ~~landlord for the application fee (only eligible~~ [utility company](#) for [Assisted Units](#)) [utility connection fees](#)

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- Payment to the landlord for the contract rent for up to 90 days during a medical damage claims and/or vacancy payments

If the Housing Agency has the budget, approval from Minnesota Housing and provisions in their administrative plan, they may utilize a portion of their Bridges funds for security deposits, damage claims, vacancy payments, application fees; utility connection fees, and other fees, as approved by Minnesota Housing that are necessary to obtain landlord participation or psychiatric crisis to prevent repeat episodes of homelessness. Administrators are responsible for communicating to the tenants the types of funds available for housing related expenses, how to access them, the frequency a participant can access the funds, how award amounts are determined, if there is a limit, etc. The administrator will be required to track and report to Minnesota Housing the amount and type of housing related expenses/discretionary fees paid on behalf of tenants, e.g., security deposits, application fees; utility connection fees, damage claims and vacancy payments; and other fees as approved in writing by Minnesota Housing that are utilized to obtain landlord participation or paid on behalf of a Participant to prevent repeat episodes of homelessness.

Damage Claims and Vacancy Payments. An administrator may pay a damage claim or vacancy payment on behalf of a tenant when:

- The documented damages were attributable to the household residing in the Bridges assisted unit and the damages exceed the security deposit that was collected by the owner at initial occupancy.
- The owner experiences a vacancy loss when a Bridges assisted Participant leaves the unit without proper notification to re-rent the unit and/or repairs for the damages incurred by the Bridges Participant prolong the ability for the landlord to re-rent the unit. Vacancy claims can be made for the respective unit, for a maximum of 30 days, when the vacancy expenses for the unit (not to exceed the cost of one month's rent) exceed the security deposit collected by the owner at initial occupancy.

Minnesota Housing approval is required prior to the Housing Agency disbursing funds for damage claims and vacancy payments. The Housing Agency shall require appropriate documentation from the landlord regarding the requested damage and/or vacancy claim and shall review such documentation for feasibility prior to submitting the request to Minnesota Housing, who will then review the documentation prior to making an approval decision allowing reimbursement to the administrator for this purpose. Approval may be for a lesser amount than submitted. In addition to claim documentation, Minnesota Housing will consider the impact of such payments on the administrator's grant budget.

Application Fees, Utility Connection Fees, etc. An administrator may pay an application fee, utility reconnection fee, and/or other fees, as approved by Minnesota Housing, that are necessary to obtain landlord participation or to prevent repeat episodes of homelessness when:

- The tenant has exhausted all other mainstream resources such as emergency assistance, energy assistance, and/or local service organizations that usually provide financial assistance for such activities and the requested Bridges payment will assist in getting a Participant into housing and/or prevent a future episode of homelessness for the tenant.
- Minnesota Housing may grant exceptions to this policy on a case-by-case basis.

The Participant's file must be properly documented prior to becoming eligible for payments.

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Chapter 5 – Occupancy Guidelines

5.01 Interim Changes

All decreases in the Participant's gross monthly income, regardless of the amount, must be verified and the changes implemented on the first day of the next month after the Housing Agency receives the information about the decrease (i.e., a verified decrease in income reported in June would result in a reduced Participant Rent on July 1). Written notice of the change in tenant paid rent and subsidy must also be provided to the Participant and landlord.

Changes related to increases to the Participant's gross monthly income must be handled in compliance with the HCV Program, or other written policies approved in writing by Minnesota Housing.

Participants who wish to add another adult to the lease must inform both the Housing Agency and the landlord in advance. A Participant must be informed that they must seek the landlord's permission to add an additional adult to the Participant's lease or they could be evicted. The landlord may deny permission of an additional adult, based on the landlord's usual Participant screening procedures. All income of the additional adult must be verified and added to the Participant's gross income. A Lease Amendment/Extension (Form 13) must be used when adding an additional adult to the lease.

~~The Participant should review the lease for requirements regarding reporting additional minors, but under normal circumstances, the~~ Participant is not required to report to the Housing Agency the addition of a minor to the lease. ~~The Participant should review the lease for requirements regarding reporting additional minors.~~ If a larger unit is needed, a new Certificate of Participation – Statement of Participant Obligations (Form 6) is issued when the Participant terminates the current lease and seeks other housing.

A Lease Amendment/Extension (Form 13) may be used if the Participant moves from one unit to another unit in the same building or another building owned by the same landlord. An HQS inspection must be conducted on the new Assisted Unit before the Participant moves or payment from Bridges funding is made.

5.02 Annual Recertification

The income and assets of all Participants must be verified on an annual basis. At each annual recertification, the Participant must sign a new Consumer Agreement for Requirements for Continued Eligibility (Form 7) and ROI forms, if the Participant has agreed to the ROI. The Participant must be encouraged to update information for a secondary contact at this time. The secondary contact may be a professional caseworker or a friend or family member who can be contacted in the event that the Housing Agency is unable to reach the Participant.

For Participants with an annual lease, the recertification should coincide with the effective date of a new lease. It is not necessary to verify income if the most recent interim change was done within the last 120 days. If the verification indicates that 30% of the Participant's gross monthly income equals or exceeds the contract rent for the Assisted Unit for three consecutive months, then the Participant will be declared ineligible because the Participant Rent will be equal to the contract rent and no subsidy is provided. Participants who are determined ineligible due to income must be notified in writing and given the option to request an informal hearing if they disagree with the findings.

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The landlord may increase the rent only upon the expiration of the lease term and execution of a new or renewal lease. In the case of properties that are subject to a HUD approval increase, such as Section 236 or USDA Rural Development buildings, an increase in rent may be implemented upon HUD approval of the new rent and upon sufficient notice to the Participant and Housing Agency. A new lease or a Contract Amendment/Extension should be used to change the contract rent. A copy of the HUD rent approval letter should be inserted in the Participant's file.

When negotiating a renewal rent, the Housing Agency may, at its discretion, use the HCV Annual Adjustment Factors (AAFs) to limit the amount of the landlord's rent increases. If the AAFs are not used, the Housing Agency must determine that the requested rent is reasonable based on the Housing Agency's HCV Program rent reasonableness system. A Participant's contract rent may not exceed contract rents paid by unassisted Participants at the same property.

5.03 Lease Termination

Participant Chooses to Move. When a Participant chooses to move, written notice must be given by the Participant to the landlord and Housing Agency in accordance with the lease. If the Participant intends to continue receiving a Bridges subsidy, they must additionally notify the Housing Agency at least 31 days before they intend to move. If the LMH Entity [is and Behavioral Health Service Agency/Agencies are](#) aware of a [tenant's Participant's](#) move, they must notify the Housing Agency if the Participant has not already done so. If the Participant intends to continue receiving a Bridges subsidy after moving, the Housing Agency must issue the Participant a new Certificate of Participation – Statement of Participation Obligations (Form 6) and Request for Lease Approval (Form 10). When the Participant locates a new unit, the Housing Agency must use the same procedures as described in the Leasing Process (Chapter 4 of this Program Guide).

Unit Does Not Meet HQS. If at recertification the Housing Agency determines that the Assisted Unit is not in compliance with HQS, the Housing Agency must give the landlord reasonable time to correct the deficiencies. The Housing Agency may retain the subsidy until the unit meets HQS. If the landlord fails to comply in reasonable time, the Housing Agency must notify the landlord and the Participant in writing that subsidy payments will be suspended and the Bridges Contract terminated. If the Participant wishes to continue receiving a Bridges subsidy at a different location, they must be issued a new Certificate of Participation – Statement of Participant Obligations (Form 6) and Request for Lease Approval (Form 10). The Housing Agency should notify the LMH Entity

Landlord Gives Participant Notice to Move. The landlord may give the Participant notice to move (not connected with an eviction) only if the lease provisions permit such a notice, and the landlord must notify the Housing Agency. The Housing Agency should notify the LMH Entity [- and Behavioral Health Service Agency/Agencies](#). The Participant may wish to locate to a new unit and continue to receive the Bridges subsidy.

Landlord Issues an Eviction Notice to Participant. If the landlord issues an eviction notice, the requirements of the lease and state and local laws must be followed, which may permit the landlord to evict the Participant for one or all of the following:

- Serious and repeated lease violations

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- Violations of federal, state, or local law in connection with the occupancy or use of the Assisted Unit and surrounding premises
- Other good cause

The landlord must send a copy of the eviction notice to the Housing Agency at the same time it is served to the Participant. The Participant may remain eligible, at the Housing Agency's discretion, to participate in Bridges, subject to the provisions of Section 5.04 of this Program Guide and the Consumer Agreement for Requirements for Continued Eligibility (Form 7), and may seek other housing. The Housing Agency should notify the LMH Entity. The LMH Entity should advise the Housing Agency regarding the determination of ongoing participation in Bridges.

5.04 Termination of Eligibility

A Participant's eligibility to continue receiving a subsidy under Bridges may be terminated for any of the following reasons:

- 30% of gross monthly income equals or exceeds the full rent
- Failure to apply for, accept, or utilize an HCV [or other permanent subsidy](#)
- Failure to report all income, additional adults, or having zero income for over six months
- Illegal drug related or violent criminal activity
- Expired Bridges Certificate of Participation – Statement of Participation Obligations
- Receiving an HCV or other housing subsidy
- Voluntary termination
- The Housing Agency, [Behavioral Health Service Agency/Agencies](#) or LMH Entity is unable to locate the Participant
- Evicted
- Refusal to cooperate with the recertification or HQS inspection process
- Deceased

All Participants must have the option to request an informal hearing similar to an HCV informal hearing to contest the termination of their subsidy. The procedures to be used in conducting informal hearings are described in Household Eligibility, Intake and Certification (Chapter 3 of this Program Guide).

Using the [Rental Assistance](#) Draw Request Form, the Housing Agency must report monthly to Minnesota Housing the reason why Participants ended their participation in Bridges.

Participants who lose their subsidy may reapply to Bridges, unless the Housing Agency has identified issues of fraud or deliberate misrepresentations of information. In the case of an eviction, a Participant may retain their Bridges Certificate of Participation and look for another unit.

It is important for the Housing Agency and [Mental/Behavioral](#) Health Service Agency to develop relationships with landlords so that they can be notified of lease violations and assist the Participant in being lease compliant.

Chapter 6 – Services

6.01 Services Overview

Bridges does not provide funding for services. Rather, it provides connections to community providers who provide mental health, housing transition, tenancy sustaining services, and outreach services. The LMH Entity ~~is~~ [Mental Behavioral Health Service Agency/ Agencies are](#) responsible for providing these connections for Participants to community service providers, typically one or more ~~Mental Behavioral Health Service Agencies~~. Bridges requires that Participants have choice in what ~~Mental Behavioral Health Service Agency~~ they work with and what services they accept.

6.02 Housing Transition and Tenancy Sustaining Services

Housing transition and tenancy sustaining services are supportive housing services focused on helping the ~~Participants~~ [Participant](#) to obtain and retain affordable, permanent housing of the ~~tenant's~~ [Participant's](#) choice. Service activities include:

- **Housing Transition Services** provide direct support to people with mental illness who need assistance with access to housing. The service may start prior to someone leaving AMRTC, St. Peter Regional Treatment Center ~~or~~ Forensic Services, and/or during transition through IRTS or chemical dependency treatment, or from other Segregated Settings, as part of the apartment search, application, ~~and~~ securing an apartment process.
 - Conduct tenant screening and housing assessment to identify the person's preferences and barriers to successful tenancy
 - Develop an individualized housing support plan based on the housing assessment that identifies barriers, measurable short- and long-term goals, establishes the person's approach to meeting the goal, ~~and~~ identifies needed providers or services to meet the goal
 - Assist with the housing search and application process
 - Identify resources to cover one-time expenses that facilitate access to housing and establishment of a household such as security deposits, moving costs, furnishings, adaptive aids, ~~and~~ environmental modifications
 - ~~Ensure~~ [Help ensure](#) that the living environment is safe and ready for move-in
 - Assist with arranging for and supporting the details of the move
 - Develop a Housing Support Crisis Plan that includes prevention and early intervention services when housing is jeopardized
- **Tenant Sustaining Services** provide direct services to support people with mental illness in sustaining tenancy once housing is secured.
 - Provide early identification and intervention for behaviors that may jeopardize housing
 - Provide education and training on the roles, rights, ~~and~~ responsibilities of the ~~tenant~~ [Participant](#) and the landlord
 - Coach on developing and maintaining key relationships with landlords and property managers in order to foster successful tenancy
 - Assist with resolving disputes with landlords, property managers, ~~and~~ neighbors to reduce the risk of eviction or other adverse action

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- Provide advocacy and linkage to community resources to prevent eviction or other negative housing outcomes
- Assist with the housing recertification process
- Coordinate with the ~~tenant~~[Participant](#) to review, update, and modify their individual housing support and Housing Support Crisis Plans on a regular basis to reflect current goals, needs, and housing retention barriers
- Provide ongoing training on responsible tenancy, lease compliance, and support, with activities related to household management

6.03 Outreach Services

Outreach services are services that are offered to potentially eligible individuals who are homeless or in an Institutional or Segregated Setting [to include correctional facilities and connecting with people on supervised release](#), and are not connected with a mental health or housing service. They engage the person with immediate services, provide assessments and help them access and transition to sustainable services. The activities of outreach services are comprised of four elements:

- **Identification.** Identifying potentially eligible mental health service recipients, locating unserved or underserved people who are homeless in the community and in Institutions or Segregated Settings
- **Engagement.** Contacting a person in order to engage them in services. Engagement establishes trust, builds a working relationship, and educates the person about service and resource options
- **Assessment.** Ongoing evaluation of a person's strengths, needs, preferences, recovery goals, and their barriers to accessing services, housing, and resources
- **Access.** Assisting the person with identifying their service and housing preferences, helping them to resolve barriers in accessing those preferences, and facilitating the person's transition to sustainable services, housing, and needed resources

6.04 Expectations of ~~Mental~~[Behavioral](#) Health Service Agency/[Agencies](#)

It is expected that the ~~Mental~~[Behavioral](#) Health Service Agency ~~has~~[/Agencies have](#) regular contact with the Participant to assist with establishing and retaining housing and to assist with goal and crisis planning. It is also expected that the ~~Mental~~[Behavioral](#) Health Service Agency ~~maintains~~[/Agencies maintain](#) regular contact with tenant advocacy services and provides client-selected ~~mental~~[behavioral](#) health services. [If the Participant is eligible, and interested in the service, the Behavioral Health Agency/Agencies should link the Participant to an agency providing Housing Stabilization Services.](#)

The ~~Mental~~[Behavioral](#) Health Service Agency/[Agencies](#) may be a tribal nation, county department, or a contracted provider. ~~In many cases, the Mental~~[The Behavioral](#) Health Service Agency/[Agencies](#) will be a participating member of the LMH Entity, [and the roles and responsibilities of this Agency/Agencies need to be in the Cooperative Agreement.](#)

Chapter 7 – Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires housing providers to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

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Chapter 8 – Fraud Disclosure and Suspension

8.01 ~~Fraud~~ **Fraud Disclosure**

~~The recipient must report all known or suspected instances of fraud in connection with the awarding or receipt of Minnesota Housing funds to Minnesota Housing’s Chief Risk Officer as soon as evidence of fraud is discovered by the recipient. “Fraud” means an intentional deception is any intentionally deceptive action~~ made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section 8.05.

8.02 **Misuse of Funds**

A loan or grant agreement is a legal contract between Minnesota Housing and the borrower or grantee. The borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed, and the borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a borrower or grantee; or (2) A borrower or grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section 8.05.

8.03 **Conflict of Interest**

A conflict of interest, actual, potential, or perceived, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A potential or perceived conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one’s judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties

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- A contracting party's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties
- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived or potential conflicts of interest through one of the ways described in section 8.05.

A contracting party should review its contract agreement and request for proposals (RFP) material, if applicable, for further requirements.

8.04 Suspension

By entering into any agreement with Minnesota Housing, ~~accepting any award of funds from Minnesota Housing, or otherwise conducting any business with Minnesota Housing,~~ a contracting party represents that the ~~contracting party or any principal of (including its employees or affiliates that will have direct control over the party, subject of the agreement)~~ has not been suspended from doing business with Minnesota Housing ~~pursuant to the~~. Refer to Minnesota Housing's website for a list of suspended individuals and organizations.

8.05 Disclosure and Reporting

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., grantees, borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:

- ~~Minnesota Housing Finance Agency Board of Directors Participant Suspension Policy. A principal is defined as: (a) an Housing's chief risk officer, director, owner, partner, principal investigator, or other person within an organization or entity doing business with~~
- ~~Any member of Minnesota Housing with management or supervisory responsibilities; or (b) a consultant or other person, who: (1) is in a position to handle Housing's Servant Leadership Team~~
- ~~EthicsPoint, the Minnesota Housing funds; (2) is in a position to influence or control the use of those funds; or (3) occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to be performed under contract with Minnesota Housing. A party must contact Minnesota Housing for a list of all suspended individuals and organizations-hotline reporting service vendor~~

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Appendix A – Terms

Term	Definition
AMHI	Adult Mental Health Initiative. A collaboration of county LMHAs and/or a Tribal Nation Mental Health Agency that provide or enhance coordination of the delivery of mental health services required under the Minnesota Comprehensive Adult Mental Health Act
AMRTC	Anoka Metro Regional Treatment Center. A state psychiatric hospital that serves people who have a mental illness
Assisted Unit	An eligible unit that is occupied by a Participant, who has executed an approved lease with the landlord, is receiving a Bridges subsidy, and whose landlord has executed a Bridges Contract with a Housing Agency
Behavioral Health Service Agency	An agency that promotes mental health, resilience, and wellbeing; the treatment of mental and substance use disorders; and the support of those who experience and/or are in recovery from these conditions, along with their families and communities.
Bridges	Bridges Rental Assistance Program. A state rental assistance program for people with mental illness who are waiting for a permanent housing subsidy
Bridges Grant Contract Agreement	A document Minnesota Housing executes with a Housing Agency outlining respective responsibilities in administering Bridges
Bridges Contract	An agreement executed by a Housing Agency- and a landlord describing the terms that must be met for the landlord to receive subsidy payments on behalf of a Participant residing in an eligible unit
Bridges RTC	Bridges Regional Treatment Center. A state rental assistance program for people with mental illness who are leaving AMRTC or Forensic Services and are waiting for a permanent housing subsidy
Briefing Session	A meeting at which the eligible applicant receives an explanation of Bridges and instructions for leasing an Assisted Unit
Case Management	Activities that are designed to help People people with mental illness gain access to services that meet mental health needs. Case management services include developing an individual community support plan, referring and assisting the person in obtaining needed mental health and other services, ensuring coordination of services, and monitoring the delivery of services
CE	Coordinated Entry. A centralized or coordinated process designed to coordinate program Participant intake, assessment, and provision of referrals
Certificate of Participation – Statement of Participant Obligations	A document provided by the Housing Agency that lists the unit size and rent limits and that authorizes an eligible Participant to find a unit

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Term	Definition
CoC	Continuum of Care. A community strategic plan to organize and deliver housing and services to reduce the incidence of Homelessness by assisting homeless individuals, youth and families with children to move to self-sufficiency and permanent housing
Community Support Services Program	A program, under the clinical supervision of a Mental Health Professional, designed to provide supportive services for people with mental illness to improve their ability to live in the community. Services include: <ul style="list-style-type: none"> • Outreach • Education about mental illness, treatment and recovery • Development of competitive employment and work-related opportunities • Opportunities for social, peer and recovery support • Assistance in applying for basic needs and health insurance benefits • Housing Support Services
Competency Restoration Program at St. Peter	A program that provides comprehensive treatment and evaluation of individuals who have been committed for competency restoration pursuant to Minnesota Rule of Criminal Procedure Rule 20.01 Subd. 7
Cooperative Agreement	An outline of the respective roles and responsibilities of a Housing Agency and an LMH Entity
Crisis Housing Fund	A flexible pool of money that provides short-term housing assistance to people with mental illness whose income is being used to pay for inpatient psychiatric treatment of 90 days or less
DHS-BHD	Minnesota Department of Human Services Behavioral Health Division
FMR	Fair Market Rent. HUD established rent limits for geographical areas
Forensic Services	Formerly known as St. Peter Regional Treatment Center and is the location of the Minnesota Security Hospital, Competency Restoration Program and Transition Services
HCV	Housing Choice Voucher. A subsidy provided through the Housing Choice Voucher Program, which is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market. Formerly known as Section 8
HMIS	Homeless Management Information System. A computerized database that allows organizations that provide services to people experiencing Homelessness to collect client information electronically to easily produce required reports. Minnesota's HMIS provides standardized and timely information to improve access to housing and services and strengthen efforts to end Homelessness. The statewide goal is to eventually provide as

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Term	Definition
	comprehensive a picture of Homelessness as possible by incorporating information from all emergency shelters, transitional housing and Permanent Supportive Housing providers, as well as other points of contact for people experiencing Homelessness, such as outreach programs, drop-in centers and food shelves. Minnesota Housing requires all fund recipients for programs targeting households experiencing long-term Homelessness to utilize the HMIS system
Homelessness	<p>As defined in the Stuart B. McKinney Homeless Assistance Act of 1987, a homeless person is an individual who lacks a fixed and adequate nighttime residence. As interpreted by the Minnesota Interagency Task Force on Homelessness and the Mental Behavioral Health Division of the Department of Human Services, this may include, but is not restricted to:</p> <ol style="list-style-type: none"> 1) An individual or family that lacks a fixed, regular and adequate nighttime residence; or 2) An individual or family whose primary nighttime residence is: <ol style="list-style-type: none"> a. A supervised, publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters and transitional housing for the mentally ill), b. An institution that provides a temporary residence for individuals intended to be institutionalized, or c. A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings. <p>The term does not include any individual imprisoned or otherwise detained under an act of Congress or a state law.</p>
Homeless Upon Discharge	Discharge to an emergency shelter or no longer meets criteria to remain in the Institution (e.g. level of care) but cannot be discharged because of lack of a place to go. Discharge to a friend or family member's home in order to prevent Homelessness may also be considered Homeless Upon Discharge. Discharge to a short-term residential or treatment program, without other housing options, may also meet this definition.
Housing Agency	A local unit of government or a non-profit organization with an active Bridges Grant Contract Agreement
Housing Stabilization Services	<p>Housing Stabilization Services is a new Minnesota Medical Assistance benefit to help people with disabilities, including mental illness and substance use disorder, and seniors find and keep housing.</p> <p>Housing Stabilization is a Home and Community Based Service (HCBS), and providers of Housing Stabilization must abide by the HCBS requirements. Information about being a HCBS provider</p>
Housing Support Crisis Plan	A person-centered plan that reflects current needs and addresses existing or recurring housing retention barriers and includes

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Term	Definition
	prevention and early intervention services needed when housing is jeopardized
Housing Support Services	<p>A Community Supports Service Program service that:</p> <ul style="list-style-type: none"> Assists adults in obtaining, moving to and retaining housing Provides resources for local Public Housing Authorities, subsidized housing programs, realtors, private apartment rental services or similar housing services Assists in applying for housing program subsidies Assists in appealing denial, suspension, reduction or termination of a housing subsidy Mediates and teaches coping and mediation skills to resolve disputes with a landlord or roommate Provides ongoing support <p>Provides periodic home visits to ensure health and safety</p>
HQS	Housing Quality Standards. A federal housing inspection standard used for inspection of market rate housing to determine that a unit is decent, safe, and sanitary
HUD	The United States Department of Housing and Urban Development
Imminent Risk of Homelessness	<p>People who are:</p> <ul style="list-style-type: none"> Being evicted from a private dwelling unit, or Being discharged from a hospital, correctional facility, or other Institution, or Living in housing that has been condemned by housing officials that is no longer considered meant for human habitation and who have no subsequent housing options identified, AND are lacking the resources or support networks needed to retain current housing or obtain temporary or permanent housing
Institution	<p>Institutions include facilities such as a regional treatment center, community behavioral health hospital, nursing homes, adult foster care, or other hospital or residential treatment. Typically, persons meeting this priority will be in the Institution as a result of their mental illness. If you have questions about a particular facility and whether it meets the definition of an Institution, please contact DHS-BHD or Minnesota Housing.</p>
IRTS	Intensive residential treatment services are time-limited mental health services provided in a residential setting
LMHA	Local Mental Health Authority. A county operating under the Minnesota Comprehensive Adult Mental Health Act
LMH Entity	Local Mental Health Entity. An Adult Mental Health Initiative (AMHI), Tribal Nation Mental Health Agency, or LMHA that collaborates with a Housing Agency to deliver Bridges

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Term	Definition
<u>Local Payment Standard</u>	<u>The maximum subsidy a PHA can pay on behalf of a family, and a PHA establishes payment standards based on the HUD-established Fair Market Rents (FMR) for the area</u>
Mental Health Professional	<p>A person providing clinical services in the treatment of mental illness who is qualified in at least one of the following ways:</p> <ol style="list-style-type: none"> 1) In psychiatric nursing: a registered nurse who is licensed under Sections 148.171 to 148.285; and: (i) who is certified as a clinical specialist or as a nurse practitioner in adult or family psychiatric and mental health nursing by a national nurse certification organization; or (ii) who has a master's degree in nursing or one of the behavioral sciences or related fields from an accredited college or university or its equivalent, with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness 2) In clinical social work: a person licensed as an independent clinical social worker under Chapter 148D, or a person with a master's degree in social work from an accredited college or university, with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness 3) In psychology: an individual licensed by the Board of Psychology under Sections 148.88 to 148.98 who has stated to the Board of Psychology competencies in the diagnosis and treatment of mental illness 4) In psychiatry: a physician licensed under Chapter 147 and certified by the American Board of Psychiatry and Neurology or eligible for board certification in psychiatry, or an osteopathic physician licensed under Chapter 147 and certified by the American Osteopathic Board of Neurology and Psychiatry or eligible for board certification in psychiatry 5) In marriage and family therapy: the mental health professional must be a marriage and family therapist licensed under Sections 148B.29 to 148B.39 with at least two years of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness; 6) In licensed professional clinical counseling, the Mental Health Professional shall be a licensed professional clinical counselor under Section 148B.5301 with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness

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Term	Definition
Mental Health Service Agency	A mental health provider agency eligible to provide Minnesota Health Care Programs services
Minnesota Comprehensive Adult Mental Health Act	A statute that describes the fundamental mental health system in Minnesota. The statute is Minnesota Sections 245.461–245.4863
Minnesota Health Care Programs	Adults with low incomes who meet eligibility rules may qualify for Minnesota Health Care Programs. Programs include Medical Assistance (MA), MinnesotaCare, Minnesota Family Planning Program and others
MSA	Minnesota Supplemental Aid. Minnesota Supplemental Aid provides cash assistance to help adults who get Supplemental Security Income (SSI) pay for their basic needs.
Participant	A person who is in the Bridges Program with mental illness
Participant Rent	A portion of the rent payable by the Participant to the landlord
Permanent Supportive Housing	Permanent rental housing affordable to the population served where support services are available to residents. Permanent Supportive Housing is available to individuals and families with multiple barriers to obtaining and maintaining housing, including those who are formally homeless or at risk of Homelessness and those with mental illness, substance abuse disorders, and/or HIV/AIDS.
Person/People with SMIMI	<p>People with Serious Mental Illness. People with an organic disorder of the brain or a clinically significant disorder of thought, mood, perception, orientation, memory, or behavior that meets both of the following:</p> <ul style="list-style-type: none"> • Is detailed in a diagnostic code list published by the commissioner of Minnesota Department of Human Services and verified by a qualified Mental Health Professional • Seriously limits a person’s capacity to function in primary aspects of daily living such as personal relations, living arrangements, work, and recreation
Program Guide	A document developed to implement Bridges under statutory requirements.
Public Housing Authority	Public Housing Authorities (PHAs) provide decent, safe, and affordable quality rental housing for eligible low-income families, the elderly, and persons with disabilities.
RTC	Regional Treatment Center. A facility where the state provides active inpatient treatment for people with mental illness, developmental disabilities, chemical dependency and/or elderly who have complex medical conditions and challenging behaviors
ROI	Release of Information. A signed and dated authorization by the Participant allowing the Housing Agency and relevant LMH Entity to share information about the Participant
Segregated Settings	As defined by the Minnesota Olmstead Plan, “often have qualities of an institutional nature. Segregated settings include, but are not

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Term	Definition
	limited to: (1) congregate settings populated exclusively or primarily with individuals with disabilities; (2) congregate settings characterized by regimentation in daily activities, lack of privacy or autonomy, policies limiting visitors, or limits on individuals' ability to engage freely in community activities and to manage their own activities of daily living; or (3) settings that provide for daytime activities primarily with other individuals with disabilities." Examples of Institutions or Segregated Settings include a regional treatment center (RTC), a community behavioral health hospital, nursing homes, adult foster care, or other hospital or residential treatment center
Service Area	A geographic area in which a Housing Agency and a Mental Health Agency operate Bridges
St. Peter Regional Treatment Center	Now known as Forensic Services
Tribal Nation Mental Health Agency	The agency primarily responsible for tribal nation mental health services

MINNESOTA HOUSING – BRIDGES RENTAL ASSISTANCE PROGRAM GUIDE

Appendix B – Mental Illness

1) Adults

Minnesota Statute 245.462, subdivision 20, Mental Illness

- (a) “Mental Illness” means an organic disorder of the brain or a clinically significant disorder of thought, mood, perception, orientation, memory, or behavior that is detailed in a diagnostic codes list published by the commissioner, and that seriously limits a person’s capacity to function in primary aspects of daily living such as personal relations, living arrangements, work, and recreation.
- (b) An “adult with acute mental illness” means an adult who has a mental illness that is serious enough to require prompt intervention.
- (c) For purposes of case management and community support services, a “person with serious and persistent mental illness” means an adult who has a mental illness and meets at least one of the following criteria:
 - (1) The adult has undergone two or more episodes of inpatient care for a mental illness within the preceding 24 months;
 - (2) The adult has experienced a continuous psychiatric hospitalization or residential treatment exceeding six months’ duration within the preceding 12 months;
 - (3) The adult has been treated by a crisis team two or more times within the preceding 24 months;
 - (4) The adult:
 - (i) Has a diagnosis of schizophrenia, bipolar disorder, major depression, or borderline personality disorder;
 - (ii) Indicates a significant impairment in functioning; and
 - (iii) Has a written opinion from a mental health professional, in the last three years, stating that the adult is reasonably likely to have future episodes requiring inpatient or residential treatment, of a frequency described in clause (1) or (2), unless ongoing case management or community support services are provided;
 - (5) The adult has, in the last three years, been committed by a court as a person who is mentally ill under chapter 253B, or the adult’s commitment has been stayed or continued; or
 - (6) The adult (i) was eligible under clauses (1) to (5), but the specified time period has expired or the adult was eligible as a child under section 245.4871, subdivision 6; and (ii) has a written opinion from a mental health professional, in the last three years, stating that the adult is reasonably likely to have future episodes requiring inpatient or residential treatment, of a frequency described in clause (1) or (2), unless ongoing case management or community support services are provided.

2) Child with Severe Emotional Disturbance

Minnesota Statute 245.4871, subdivision 6, for purposes of eligibility for case management and family community support services, “child with severe emotional disturbance” means a child who has an emotional disturbance and who meets one of the following criteria:

MINNESOTA HOUSING – BRIDGES RENTAL ASSISTANCE PROGRAM GUIDE

- a) The child has been admitted within the last three years or is at risk of being admitted to inpatient treatment or residential treatment for an emotional disturbance; or
- b) The child is a Minnesota resident and is receiving inpatient treatment or residential treatment of an emotional disturbance through the interstate compact; or
- c) The child has one of the following as determined by a mental health professional:
 - i. Psychosis or a clinical depression; or
 - ii. Risk of harming self or others as a result of an emotional disturbance; or
 - iii. Psychopathological symptoms as a result of being a victim of physical or sexual abuse or of psychic trauma within the past year; or
- d) The child, as a result of an emotional disturbance, has significantly impaired home, school, or community functioning that has lasted at least one year or that, in the written opinion of a mental health professional, presents substantial risk of lasting at least one year.

Item: Commitment, Low and Moderate Income Rental Loan (LMIR) and Low and Moderate Income Rental Bridge Loans (LMIRBL)

- Element, D8123, Plymouth, MN

Staff Contact(s):

Jimena Dake, 651.296.7991, jimena.dake@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

At the November 21, 2019 board meeting, the proposed development was selected for financing under the Low and Moderate Income Rental (LMIR) and the LMIR Bridge Loan (LMIRBL) programs under Resolution Number 19-073. At that same meeting, the development was selected for deferred funding under the Economic Development and Housing Challenge (EDHC) program under Resolution Number 19-072. Agency staff completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$5,259,000, a LMIRBL program commitment not to exceed \$657,000 funded from Housing Investment (Pool 2 funds) and a LMIRBL program commitment not to exceed \$8,765,000, funded with Agency tax exempt bonds (if approved by the Board).

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

The LMIR and the \$657,000 LMIRBL are both funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income on the loans without incurring financing expenses. Minnesota Housing will also earn interest rate spread income on the \$8,765,000 LMIRBL. The Agency will earn additional fee income from originating the loans for this project.

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachments:

- Development Summary
- Resolution
- Resolution Attachment: Term Letter

DEVELOPMENT SUMMARY**SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS**

Project Information			
Development Name	Element	D# 8135	M# 18158
Address	11229 State Highway 55		
City	Plymouth	County	Hennepin
Date of Selection	November 21, 2019	Region	Metro

A. Project Description and Population Served

- The development involves the new construction of 61 units in a four-story elevator building with units ranging from one to four bedrooms.
- The development will provide general occupancy, workforce housing, and permanent supportive housing for individuals, families, and high priority homeless (HPH)/people with disabilities (PWD) households.
- The development will serve households with incomes ranging from 30% to 60% multifamily tax subsidy projects (MTSP).
- Twelve (12) units will benefit from Plymouth HRA project-based Section 8 vouchers, Metro HRA Veteran Affairs Supportive Housing (VASH) vouchers, and Hennepin County Housing Support income supplement.
 - Four of these units will serve HPH single adults
 - Four of these units will serve PWD households.

B. Mortgagor Information

Ownership Entity	Plymouth Element, LLC
Sponsor	SCI Associates, LLC
General Partner(s)/ Principal(s)	Plymouth Housing Group, LLC
Guarantor(s)	SCI Associates John Belisle Sarah Nieters

C. Development Team Capacity Review

Access Development, LLC is the developer; Sand Architects, LLC will be the architect for the project and Sand Construction, LLC will be the general contractor. Minnesota Housing has experience working with all companies and finds them to have capacity to successfully complete the project.

Sand Property Management, LLC will manage the property and CommonBond Communities, through its Advantage Services, will be the service provider. Minnesota Housing has previous experience working with both entities and based on their past performance, they have the experience and capacity.

Black, Indigenous, and People of Color-owned/Women-owned Business Enterprise (BPOCBE/WBE)

The property management firm and architectural firm are both women-led businesses.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Bridge Loan	LMIR Bridge Loan	Pool 2	\$657,000	3.75%	N/A	approximately 21-month	N/A	Construction
Bridge Loan	LMIR Bridge Loan	MHFA TEB	\$8,765,000	Estimated at 1.75%	N/A	approximately 21-month	N/A	Construction
Permanent	LMIR	Pool 2	\$5,259,000	4.25%	0.125%	40-year	40-year	End Loan

- A \$657,000 LMIRBL will be funded from the Housing Investment Fund (Pool 2). The loan will be co-terminus with the bond funded LMIRBL.
- The \$8,765,000 LMIRBL will be funded with Minnesota Housing tax exempt bonds, for an approximately 21-month term during the construction period. This loan will utilize Private Activity Bond Cap so that the project can be eligible for the 4% low-income housing tax credit.
- LMIR first mortgage will be 50% HUD risk-share insured and will be funded upon payoff of the LMIRBL. Based on current Minnesota Housing underwriting, the project can support the increased loan amount with a 40-year term, fully amortized, at an interest rate of 4.25%.

First Mortgage Loan to Cost: 30%

First Mortgage Loan to Value: 87%

E. Significant Changes Since Date of Selection

- Net operating income increased by \$34,683 annually, or 13%, from the proposed underwriting at selection. The increase is due primarily to an increase in the number of units by three, from 58 to 61.
- The total construction costs have increased by \$1.4 million, or 11%, due to prevailing wages related costs and the increased cost of lumber, construction materials, and labor.
- The project's annual net rental income has increased by \$65,063 per year, or 9%, from the proposed underwriting at selection.
- Total syndication proceeds increased approximately \$1.5 million due to an increase in the syndication price and as a result of a 4% fixed tax credit applicable rate.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS**A. Project Uses**

Description	Amount	Per Unit
Acquisition or Refinance	\$ 562,000	\$ 9,213
Construction Costs	\$ 13,797,221	\$ 226,184
Environmental Abatement	\$ 0	\$ 0
Professional Fees	\$ 1,631,743	\$ 26,750
Developer Fee	\$ 500,000	\$ 8,197
Financing Costs	\$ 838,590	\$ 13,747
Total Mortgageable Costs	\$ 17,329,554	\$ 284,091
Reserves	\$ 314,425	\$ 5,155
Total Development Cost	\$17,643,979	\$ 289,246

B. Permanent Capital Sources

Description	Amount	Per Unit
First Mortgage	\$ 5,259,000	\$ 86,213
General Partner Cash	\$ 476	\$8
HTC Equity Proceeds	\$ 6,114,650	\$ 100,240
Agency Deferred Funding (EDHC)	\$ 4,464,988	\$ 73,197
Hennepin County HOME	\$ 450,000	\$ 7,377
Hennepin County AHIF	\$ 600,000	\$ 9,836
City of Plymouth LHIA	\$ 500,000	\$ 8,197
Interfaith Outreach and Community Partners	\$ 200,000	\$ 3,279
Rebates	\$ 33,412	\$ 548
Deferred Developer Fee	\$ 21,453	\$ 352
Total Permanent Financing	\$ 17,643,979	\$ 289,246

C. Financing Structure

- The development will qualify for approximately \$651,000 of annual 4% tax credits, which will result in approximately \$6.1 million of equity proceeds from Wells Fargo, the syndicator. The term of the Land Use Restrictive Agreement will be 40 years.
- The Economic Development and Housing Challenge (EDHC) deferred loan will have 0% interest (but up to 1% interest allowed, if requested) and will have a term of 21 months (for construction), plus 40 years with cash flow provisions. The EDHC deferred loan in the amount of \$4,464,988 was reduced by \$751,812 from its original estimated amount of \$5,216,800.

D. Cost Reasonableness

- The budgeted total development cost per unit of \$289,246 is 12.61% above the \$256,850 predictive model estimate, which is within the 25% threshold range and which does not require board approval for a waiver.

SECTION III: UNDERWRITING**A. Rent Grid**

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1 BR	8	892	50% MTSP	30% MTSP	HUD- VASH/PBV/HS
1 BR	2	892	50% MTSP	50% MTSP	HUD-VASH
1 BR	2	892	50% MTSP	60% MTSP	
1 BR	2	1,007	60% MTSP	60% MTSP	
2 BR	2	1,068	50% MTSP	30% MTSP	PBV
2 BR	19	1,068	50% MTSP	60% MTSP	
2 BR	10	1,252	60% MTSP	60% MTSP	
3 BR	10	1,231	50% MTSP	60% MTSP	
3 BR	6	1,500	60% MTSP	60% MTSP	
Total	61				

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits

Rent and Income limits under the Agency loans will be:

LMIR program:

- 61 total project units restricted as follows:
 - 61 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
- All other applicable program requirements per the LMIR Program Guide.

EDHC MF

- 61 total project units restricted as follows:
 - 61 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
- All other applicable program requirements per the EDHC Program Guide.

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- Twelve units will provide rental assistance through Metro HRA, Plymouth HRA, and Hennepin County Housing Support.
 - Four of these units will serve High Priority Homeless single adults
 - Four of these units will serve People With Disabilities households
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 1.24.
- The project was underwritten at 5% vacancy, with 2% income and 3% expense inflators.
- Replacement reserves will be funded from project operations, in the amount of \$2,288 per month, or \$27,450 annually.
- A rent-up reserve capitalized at construction completion from syndication proceeds in the amount of \$13,725 to be held by borrower.
- A capitalized operating reserve in the amount of \$258,364. The operating reserve will be held by the tax credit syndicator.
- Tax increment financing (TIF) reserve in the amount of \$42,336 to be funded at closing of the LMIR permanent loan from syndication proceeds. The TIF reserve will be held by the tax credit investor. After the project achieves a 1.15 debt service coverage ratio (as defined on the Operating Agreement) for 24 consecutive months, any funds remaining in the TIF reserve shall be added to the Replacement Reserve.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 21-XX

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
LOW AND MODERATE INCOME RENTAL BRIDGE LOAN (LMIRBL) PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Element
Sponsors:	SCI Associates, LLC
Guarantors:	SCI Associates; John Belisle; Sarah Nieters
Location of Development:	Plymouth, MN
Number of Units:	61
Amount of LMIR Mortgage: (not to exceed)	\$5,259,000
Amount of LMIRBL: (not to exceed)	\$657,000
Amount of LMIRBL (not to exceed)	\$8,765,000

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the construction of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to the sponsor or an affiliate thereof from the Housing Investment Fund

(Pool 2 under the LMIR and LMIRBL Programs), a bridge loan from the proceeds of Rental Housing Bonds (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. The amount of the permanent LMIR amortizing loan shall not exceed \$5,259,000; and
2. The interest rate on the permanent LMIR loan shall be 4.25% per annum (subject to change, as set forth in the attached Agency term letter dated February 22, 2021) plus 0.125% per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 40-year amortization; and
3. The term of the permanent LMIR loan shall be 40 years; and
4. The LMIR End Loan Commitment shall be entered into on or before August 31, 2021 and shall have a 21-month term (which shall also be the LMIR commitment expiration date); and
5. The amount of the LMIRBL shall not exceed \$657,000 and will be financed with the proceeds of Housing Investment Fund (Pool 2 under the LMIR Program); and
6. The interest rate on the \$657,000 LMIRBL will be 3.75% payable monthly, and the principal will be due in a balloon payment approximately 21 months after closing; and
7. The \$657,000 LMIRBL commitment shall be entered into on or before August 31, 2021 and shall have a six-month term (which shall also be the LMIRBL commitment expiration date); and
8. The LMIRBL amount shall not exceed \$8,765,000 and will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency; and
9. The interest rate on the \$8,765,000 LMIRBL will be based on the interest rate on the Rental Housing Bonds issued to finance the LMIRBL plus 1.00% interest will be payable monthly, and the principal will be due in a balloon payment approximately 21 months after closing; and
10. The LMIRBL commitment shall be entered into on or before August 2021 and shall have a six-month term (which shall also be the LMIRBL commitment expiration date); and
11. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and
12. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
13. The sponsor shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and
14. The sponsor shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

15. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 25th day of February 2021

CHAIRMAN

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February 22, 2021

Jamie Thelen
366 South 10th Avenue
Waite Park, MN 56387

RE: Amendment to Term Letter dated January 22, 2021
Element, Plymouth
MHFA Development #D8135, Project #M18158

Dear Mr. Thelen:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Plymouth Element LLC

General Partner(s) Plymouth Housing Group II, LLC
Managing Member(s):

Development new construction of a 61-unit affordable housing development
Description/Purpose: located in Plymouth, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)	Low and Moderate Income Rental Program (LMIR) Bridge Loan**	Low and Moderate Income Rental Program (LMIR) Non-Bond Bridge Loan	Economic Development and Housing Challenge deferred loan (EDHC)
Loan Amount (not to exceed)	\$5,259,000	\$8,765,000	\$657,000	\$4,464,988
Interest Rate	* 4.25%	**Bond financing rate + 1.0%	3.75%	0%
Mortgage Insurance Premium (%)	.125% (first year premium is paid in advance)	Not Applicable	Not Applicable	Not Applicable
Term	40 years	January 1, 2023	January 1, 2023	40 years + 21 months

Amortization/Repayment	40 years	Interest only during 21-month term	Interest only during 21-month term	Deferred lump sum payment due in 40 years; an annual payment that is equal to 20% of the amount by which Eligible Cash (as defined in the Note) exceeds \$50,000.
Prepayment Provision	No prepayment first 10 years from date of the Note.	No prepayment until July 1, 2022.	Prepay at any time without penalty.	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse	Recourse	Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan	Construction Bridge Loan	Construction Bridge Loan	Construction/Permanent Loan
Lien Priority	First	First (during construction period)	Second	Third during construction – Second after bridge loans are repaid

*Subject to change. The interest rate is subject to achieving the following hurdles. Failure to meet either of the hurdles may result in the interest rate being reset at the then current rate, at Minnesota Housing's sole discretion:

- Board approval to enter into a loan commitment must be obtained by January 31, 2021; and
- The loans must close or enter into an end loan commitment within 6 months of Board approval to enter into a loan commitment; and
- The permanent loan must close by December 31, 2022.

**Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing.

Origination Fee: LMIR HUD Risk Share Loan: \$102,590
LMIR Bridge Loan: \$43,825
LMIR Non-Bond Bridge Loan: \$3,285
(all payable at the earlier of loan commitment or loan closing)

Inspection Fee: \$32,851 (payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantor(s): **LMIR BRIDGE LOAN** - Completion, repayment and operations
Guaranty to be provided by:

- SCI Associates, LLC
- Mr. John Belisle
- Ms. Sarah Nieters

February 22, 2021
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LMIR 1ST MORTGAGE END LOAN - Repayment and operations

Guaranty to be provided by:

- SCI Associates, LLC
- Mr. John Belisle
- Ms. Sarah Nieters

LMIR BRIDGE LOAN NON-BOND – Completion, repayment and operations Guaranty to be provided by:

- SCI Associates, LLC
- Mr. John Belisle
- Ms. Sarah Nieters

**Operating Deficit
Escrow Reserve
Account:**

\$157,770 to be funded on the day of the LMIR permanent loan closing by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.

**Operating Cost Reserve
Account:**

A capitalized operating reserve in the amount of \$258,364 funded at construction completion from syndication proceeds. The operating reserve will not be held by Minnesota Housing. A portion of this operating reserve will be used to fund the LMIR required Operating Deficit Escrow.

**Replacement Reserve
Account:**

A replacement reserve will be required in the amount of \$450/unit/annum. The monthly replacement reserve will be \$2,288. The replacement reserve will be held by Minnesota Housing.

Escrows:

Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.

Collateral/Security:

Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

**HAP or Other Subsidy
Agreement:**

Commitment to 10-years of affordability from the date of closing for 10 units with rental assistance as follows:

- 4 HRA PBVouchers
- 4 Housing Support
- 2 units VASH vouchers

Rent and Income Requirements:

Agency First Mortgages under the LMIR program:

- 61 total project units restricted as follows:
 - 61 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
 - Commitment to affordability in effect while the loan is outstanding.
 - All other applicable program requirements per the Program Guide.

EDHC MF

- 61 total project units restricted as follows:
 - 61 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
 - Commitment of 40 years affordability from the date of permanent loan closing.

Other Occupancy Requirements:

- Four (4) units of High Priority Homeless (HPH) that are set aside and rented to single adults.
- Four (4) units designated for People With Disabilities (PWD).

Other Requirements:

The EDHC loan is subject to the terms in the attached Deferred Selection Criteria.

Closing Costs:

Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date:

This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Minnesota Housing board approval of a loan commitment.

Additional Terms:

Not Applicable

Other Conditions:

Upon release of the TIF Reserve funds, borrower is required to deposit remaining funds in the Minnesota Housing held Replacement Reserve of Element.

Board Approval:

Commitment of all loans under the LMIR, LMIR Bridge Loan programs are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

February 22, 2021

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Not a Binding Contract: This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Maggie Nadeau, Loan Processor, by e-mail at maggie.nadeau@state.mn.us on or before March 8th, 2021.

If you have any questions related to this letter, please contact Jimena Dake, Underwriter, at (651)296-7991 or by e-mail at jimena.dake@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

Element Plymouth LLC

By: _____

Date Accepted: _____

Selection Criteria Related to 2019 RFP/2020 HTC Round 1

Project Name: Element
Project City: Plymouth

Property Number (D#): D8135

Project Number: M18158

Large Family Housing

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 75% two or more bedrooms	<u>5 Pts</u>	<input checked="" type="checkbox"/> 75% two or more bedrooms	<u>5 Pts</u>	Number of 2 Bedrooms 32 Number of 3 Bedrooms 16

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/Declaration of Land Use Restrictive Covenants Agreement (LURA).

The project will provide family housing that is not restricted to persons 55 years or older in which at least 75% of the affordable units contain two or more bedrooms. The Owner agrees to market to families with minor children.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Permanent Supportive Housing for High Priority Homeless

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 5% to 9.99%	<u>7 Pts</u>	<input checked="" type="checkbox"/> 5% to 9.99%	<u>7 Pts</u>	Single Adults 4

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents.

The Owner agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions and will be incorporated into the loan and HTC documents.

The Owner agrees units will be set aside and rented to High Priority Homeless who are a household prioritized for permanent supportive housing by Coordinated Entry System (HPH units) and targeted to the populations indicated.

Permanent Supportive Housing for High Priority Homeless and People with Disabilities selection criteria cannot be claimed for the same units.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Permanent Supportive Housing for High Priority Homeless – CoC Priority 1

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Continuum of Care Household Type Priority One	<u>2 Pts</u>	<input checked="" type="checkbox"/> Continuum of Care Household Type Priority One	<u>2 Pts</u>	Number of Units 4

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units that the Owner agrees the project will target to Continuum of Care Household Type Priority One.

People with Disabilities

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 5% to 9.99%	<u>7 Pts</u>	<input checked="" type="checkbox"/> 5% to 9.99%	<u>7 Pts</u>	Number of Units 4

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents.

The Owner agrees units will be set aside and rented to households with a disability with income limits at 30% MTSP. The Owner also agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions.

Units cannot be restricted to persons of a particular age group and must be provided in an integrated setting for the term of the loan/extended use period (Declaration of Land Use Restrictive Covenants)

The units must be set aside and rented to persons with the following disabilities in a manner consistent with Minnesota Statutes, Section 462A.222, subdivision 3, subparagraph (d)(3):

- A serious and persistent mental illness as defined in MN Statutes Section 245.462, Subdivision 20, Paragraph C; or
- A developmental disability as defined in United States Code, Title 42, Section 6001, Paragraph (5), as amended; or
- Assessed as drug dependent persons as defined in MN Statute Section 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in MN Statute Section 254A.02, Subdivision 2; or
- A brain injury as defined in MN Statute Section 256B.093, Subdivision 4, Paragraph (a); or
- Permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the Project are accessible as provided under Minnesota Rules, Chapter 1341.

Permanent Supportive Housing for High Priority Homeless and People with Disabilities selection criteria cannot be claimed for the same units.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Serves Lowest Income Tenants/Rent Reduction

Page 90 of 196

Agenda Item: 7.B
Resolution Attachment

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> 50% of the restricted unit rents at 50% HUD MTSP	<u>8 Pts</u>	<input checked="" type="checkbox"/> 50% of the restricted unit rents at 50% HUD MTSP	<u>8 Pts</u>	Number of Units	29

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion.

The project must not exceed the gross rent levels for the required 10 year period. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

After the 10 year period has expired rent may be increased to 60% rent limit over a three year period, with increases not to exceed the amount listed in the table below, provided that more restrictive selection priority, funding or bond requirements do not apply.

Year 1-10	30% of 50% Rent Levels
Year 11	30% of 53% Rent Levels
Year 12	30% of 57% Rent Levels
Year 13	30% of 60% Rent Levels

Rental Assistance and Serves Lowest-Income Tenants/Rent Reduction selection criteria cannot be claimed for the same units. The owner will be required to certify on an annual basis that the rent and income restrictions comply.

Rental Assistance

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> 10.1% to 20% of the total units	<u>6 Pts</u>	<input checked="" type="checkbox"/> 10.1% to 20% of the total units	<u>6 Pts</u>	Number of Units	10

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion.

For purposes of this category, project-based rental assistance is defined as project-specific funding stream that supports the operations of the property, reduces the tenant burden, and provides the tenant portion of rent to be no greater than 30% of household income except as approved by Minnesota Housing. The project must comply with the requirements in the Self-Scoring Worksheet and Deferred Loan Priority Checklist.

Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs.

Rental Assistance and Serves Lowest-Income Tenants/Rent Reduction selection criteria cannot be claimed for the same units. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Rental Assistance – 10 Year

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Development agrees to provide the project based rental assistance for a minimum 10 years	<u>4 Pts</u>	<input checked="" type="checkbox"/> Development agrees to provide the project based rental assistance for a minimum 10 years	<u>4 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan/HTC document(s) will include requirements to meet this criterion. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents.

The owner will be required to continue renewals of project based housing subsidy payments for a minimum of 10 years. The owner must continue renewals of existing project based housing subsidy payment contract(s). The owner agrees that rents will remain affordable at 50% MTSP income limits for a 10 year period if rental assistance is not available for the full period.

The 10 year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Rental Assistance – Further Restricted Rental Assisted Units (FRRA)

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 15.1% to 25% of units	<u>4 Pts</u>	<input checked="" type="checkbox"/> 15.1% to 25% of units	<u>4 Pts</u>	Number of Units 10

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents.

Owner agrees to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10 year period. The 10 year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Second Tier	<u>7 Pts</u>	<input checked="" type="checkbox"/> Second Tier	<u>7 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Economic Integration 1 a)

The owner agrees the project will provide at least 25% but not greater than 80% of the total units as affordable units. The deferred loan and HTC document(s) will include the number of units required to meet this criterion.

If the development was located in an economic integration area, eligibility was determined at the time of selection.

Economic Integration 1 b)

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Access to Higher Performing Schools

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Access to Higher Performing Schools	<u>4 Pts</u>	<input checked="" type="checkbox"/> Access to Higher Performing Schools	<u>4 Pts</u>	2 Bedrooms 32 3 Bedrooms 16

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA.

The deferred loan and HTC document will include that the owner agrees to market units to families with minor children.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Workforce Housing Communities

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Top Job Center or Net Five Year Job Growth Community	<u>6 Pts</u>	<input checked="" type="checkbox"/> Top Job Center or Net Five Year Job Growth Community	<u>6 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Location Efficiency – Access to Transit

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> One half mile of a park and ride facility	<u>2 Pts</u>	<input checked="" type="checkbox"/> One half mile of a park and ride facility	<u>2 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Community Development Initiative

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Contributes to Planned Community Development efforts	<u>3 Pts</u>	<input checked="" type="checkbox"/> Contributes to Planned Community Development efforts	<u>3 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Financial Readiness to Proceed/Leveraged Funds

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 10% to 19.9% of funding secured	<u>4 Pts</u>	<input checked="" type="checkbox"/> 10% to 19.9% of funding secured	<u>4 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the underwriting phase.

Other Contributions

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 5.1 to 10%	<u>4 Pts</u>	<input checked="" type="checkbox"/> 5.1 to 10%	<u>4 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the underwriting phase.

Intermediary Costs

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 15.1 to 20%	<u>3 Pts</u>	<input checked="" type="checkbox"/> 15.1 to 20%	<u>3 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the underwriting phase.

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Cost Containment	<u>6 Pts</u>	<input checked="" type="checkbox"/> Cost Containment	<u>6 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through underwriting at 8609.

Universal Design

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Elevator Building	<u>3 Pts</u>	<input checked="" type="checkbox"/> Elevator Building	<u>3 Pts</u>	Number of Units 58

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Smoke Free Building

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Smoke Free Buildings	<u>1 Pts</u>	<input checked="" type="checkbox"/> Smoke Free Buildings	<u>1 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include that the owner must maintain a smoke free policy and include a non-smoking clause in the lease for every household for the term of the loan/LURA.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Total Developer Claimed: 86 Total Agency Awarded 86

The project's application was originally submitted as a dual application. The selection criteria below was claimed as part of the 9% application and will apply to this project with a 4% financial structure.

Long Term Affordability

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Long-term affordability for a minimum of 40 years		<input checked="" type="checkbox"/> Long-term affordability for a minimum of 40 years		

Loan/HTC Commitment and Compliance Monitoring

Owner agrees to extend the term of the LURA and/or waive their right to Qualified Contract for the applicable term.



Board Agenda Item: 7.C
Date: 2/25/2021

Item: Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, 2021 Series B (Element)

Staff Contact(s):

Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Debbi Larson, 651.296.8183, debbi.larson@state.mn.us

Paula Rindels, 651.296.2293, paula.rindels@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff is requesting authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed \$8,765,000, and will be used to acquire and finance the acquisition and construction of a 61-unit rental housing development located in Plymouth, Minnesota. The Agency currently expects to price and issue these Rental Housing bonds in April; the attached Preliminary Official Statement describes the entire transaction.

Fiscal Impact:

The Agency will earn an interest rate spread while these bonds are outstanding, and will also receive certain fee income as part of the closing of the bridge loan financed with the bonds proceeds. In addition, the Agency will receive additional interest earnings and certain fee income in conjunction with providing a long-term end loan as part of the permanent financing for the project.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Preliminary Official Statement
- Resolution

NEW ISSUERatings: Moody's: "____"
S&P: "____"

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.

**\$8,765,000***
**MINNESOTA HOUSING FINANCE AGENCY
Rental Housing Bonds, 2021 Series B (Non-AMT)**
Dated: Date of Delivery**Due: as shown on inside front cover***Tax Exemption*

Interest on the Series Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)

Redemption

The Agency may redeem all or a portion of the Series Bonds by optional or special redemption as described under "The Series Bonds" herein.

Security

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. **THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE.** (See "Security for the Bonds.")

Interest Payment Dates

February 1 and August 1, commencing August 1, 2021.*

Denominations

\$5,000 or any integral multiple thereof.

Closing/Settlement

On or about April __, 2021* through the facilities of DTC in New York, New York.

Bond Counsel

Kutak Rock LLP.

Underwriter's Counsel

Dorsey & Whitney LLP.

Trustee

Wells Fargo Bank, National Association, in Minneapolis, Minnesota.

Book-Entry-Only System

The Depository Trust Company. (See Appendix E herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is

_____, 2021.

*Preliminary; subject to change.

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE AND PRICE*

\$8,765,000* 2021 Series B Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP**</u>
February 1, 2023*	\$8,765,000*	____%	100%	

*Preliminary, subject to change.

**CUSIP number has been assigned by an organization not affiliated with the Agency and is included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of this CUSIP number, nor is any representation made as to its correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

Neither Minnesota Housing Finance Agency nor the Underwriter has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

relating to
\$8,765,000*

MINNESOTA HOUSING FINANCE AGENCY Rental Housing Bonds, 2021 Series B (Non-AMT)

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the “Agency”) of its Rental Housing Bonds, 2021 Series B (the “Series Bonds”). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the “Act”), a resolution of the Agency adopted February 25, 1988 (as amended and supplemented in accordance with its terms, the “Bond Resolution”), and a series resolution of the Agency adopted February 25, 2021 (the “Series Resolution”). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the “Resolutions.”)

The Rental Housing Bonds Outstanding in the aggregate principal amount of \$[49,890,000] as of February 28, 2021, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the “Bonds”), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B-1 to this Official Statement at pages 63 and 64 under the heading “Net Position — Restricted by Covenant.”

The global outbreak of the coronavirus COVID-19 (“COVID-19”) and measures taken by federal, state and local governments in response thereto are impacting individuals and businesses in a manner that to an unknown extent will have negative effects on economic activity across the country and the State, including mortgage loan repayments. For descriptions of certain of these measures, their impacts on the Agency and the Agency’s responses, see “The Agency—COVID-19 Economic Disruption” herein.

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the “Program”). The multifamily division of the

*Preliminary, subject to change.

Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans ("Mortgage Loans"), and, under certain circumstances, subordinate mortgage loans ("Subordinate Mortgage Loans"), to finance the construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the "Developments"). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading "The Rental Housing Program."

The Agency intends to use the proceeds of the Series Bonds to fund a short-term first lien mortgage loan, to a private owner, that will finance a portion of the costs of acquisition, construction and equipping of a multifamily housing development in Plymouth, Minnesota. (See "The Development.") The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See "The Agency — Net Position Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.")

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See "Security for the Bonds.")

Although the State has appropriated amounts to the Agency for various specific purposes (see "The Agency — State Appropriations"), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building

industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chair of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chair — Term expires January 2024, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha* — *Ex officio*, St. Paul, Minnesota – State Auditor

Melanie Benjamin, Member — Term expires January 2021, Onamia, Minnesota – Consultant*

Craig Klausing, Member — Term expires January 2023, Roseville, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2023, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2022, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expires January 2024, St. Paul, Minnesota – Program Director

*Continues to serve until a successor is appointed and qualified

Staff

The staff of the Agency presently consists of approximately 265 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner must be confirmed by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du

Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Kevin Carpenter — Chief Financial Officer, appointed effective March 2016. In this position, Mr. Carpenter leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position, Mr. Carpenter was the Chief Financial Officer at the City of Minneapolis from May 2011 to November 2015, and also had significant tenure in various senior financial and operating positions at RBC Capital Markets, LLC. He previously was an investment banker at RBC Capital Markets, LLC and at Lehman Brothers. Mr. Carpenter earned a Master's Degree in Business Administration from Harvard University Business School and a Bachelor of Arts degree in Government from Dartmouth College.

Debbi Larson — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

Anne Smetak — General Counsel, appointed effective June 2020. Ms. Smetak has been a member of the Agency's legal team since April 2016 and served as Deputy General Counsel for the Agency from July 2019 to June 2020. Her experience prior to joining the Agency includes corporate litigation, affordable housing preservation as a legal services attorney, and clinical teaching roles at the Washington College of Law and The George Washington University School of Law. Ms. Smetak earned a law degree and a Master of Laws degree from The George Washington University School of Law and holds a Bachelor of Arts degree in Political Science from Kenyon College.

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the Agency's general telephone number. The Agency's website address is <http://www.mnhousing.gov>. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2020, included in this Official Statement as Appendix B-1, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2020. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B-1 as of and for the fiscal year ended June 30, 2020 are presented in combined “Agency-wide” form followed by “fund” financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board (“GASB”).

Information regarding the Minnesota State Retirement System (“MSRS”), to which the Agency contributes, is included in Appendix B-1 in the Notes to Financial Statements at pages 65 through 67 under the heading “Defined Benefit Pension Plan.” The Agency’s allocable portion of net pension liability reported at June 30, 2020 with respect to MSRS is \$10.412 million.

In Appendix B-2 to this Official Statement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the six months ended December 31, 2020. The Agency has prepared the information in Appendix B-2 and, in the opinion of the Agency, that information reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of the Agency (excluding State and Federal Appropriated Funds) for the period, subject to year-end adjustments. The information in Appendix B-2 is not accompanied by a statement from the independent auditors.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the “Agency Annual Report”) and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ending June 30, 2021, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See “Appendix C — Summary of Continuing Disclosure Undertaking.”)

The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2019 with EMMA; however, that Agency Annual Report was not specifically linked to two CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series C, and three CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series E. The Agency posted that Annual Report to CUSIP 60416SHP8, the only one of the five omitted CUSIPs with respect to bonds still outstanding, on February 1, 2021.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in “Appendix C — Summary of Continuing Disclosure Undertaking.” The Agency has made these covenants to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency’s website at <http://www.mnhousing.gov> (click on tab “Investors”), but no information on the Agency’s website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency’s request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as “Pool 1”) and the Agency’s net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as “Pool 2”) and the Housing Affordability Fund (also referred to as “Pool 3”). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency’s bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is \$808.448 million, representing the combined net position of these funds so calculated as of June 30, 2020. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2020 appears in the Notes to Financial Statements of the Agency included in Appendix B-1 to this Official Statement at pages 63 and 64 under the heading “Net Position — Restricted by Covenant.”

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The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the six-month period ended December 31, 2020 (unaudited) (in thousands):

	Six months Ended December 31, 2020 <u>(unaudited)</u>	Fiscal Year Ended <u>June 30, 2020</u>	Fiscal Year Ended <u>June 30, 2019</u>
Revenues			
Fees earned and other income ⁽¹⁾	\$ 6,258	\$12,971	\$11,212
Interest earned on investments	94	590	704
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement ^{(2), (3)}	<u>16,774</u>	<u>31,336</u>	<u>27,730</u>
Total revenues	23,126	44,897	39,646
Expenses			
Salaries and benefits	15,339	30,283	15,117
Other general operating expenses	<u>2,952</u>	<u>6,900</u>	<u>5,359</u>
Total expenses	18,291	37,183	20,476
Revenues over expenses	4,835	7,714	19,170
Non-operating transfer of assets between funds ⁽⁴⁾	(6,224)	(9,876)	(19,320)
Change in net position	(1,389)	(2,162)	(150)
Net position beginning of period	<u>12,307</u>	<u>14,469</u>	<u>14,619</u>
Net position end of period	<u>\$10,918</u>	<u>\$12,307</u>	<u>\$14,469</u>

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- (1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.
 - (2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.
 - (3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.
 - (4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix B-1 to this Official Statement for additional information.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State

Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2013, 2015, 2017 and 2019, the total appropriations to the Agency aggregated approximately \$392 million. For the biennium ending June 30, 2021, the Legislature has appropriated approximately \$120.6 million to the Agency, including an increase of approximately 9.5 percent to the Agency's base budget for State appropriations.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to \$5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of February 28, 2021 [UPDATE]:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	11	2049	\$ 53,275	\$ 49,890
Residential Housing Finance Bonds	55	2051	2,779,455	1,663,950
Homeownership Finance Bonds	63	2050	2,650,126	1,422,726
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	13,100
Totals	130		\$5,497,856	\$3,149,666

*Does not include series of bonds or the original principal amount of any bonds that had been, as of February 28, 2021, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See "Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund" above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to Financial Statements contained in Appendix B-1 to this Official Statement and in the unaudited financial statements contained in Appendix B-2 to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

Certain of the swap agreements obligate the Agency to make periodic fixed rate payments and entitle the Agency to receive periodic payments based on the United States dollar-denominated London Interbank Offered Rate ("USD LIBOR"). In 2017, the Financial Conduct Authority, a United Kingdom regulatory body which supervises USD LIBOR's administrator, stated that it would not attempt to persuade or compel panel banks that currently submit interest rate information used in the setting of USD LIBOR rates to continue to do so after December 31, 2021. The Federal Reserve System and the Federal Reserve Bank of New York (the "NY Fed") convened its Alternative Reference Rate Committee ("ARRC") in 2014, consisting of public and private United States capital market participants, to identify alternative reference rates as an alternative to USD LIBOR, identify best practices for contract robustness in the interest rate market, and create an implementation plan to support an orderly adoption of new references rates. In 2017, the ARRC identified the secured overnight financing rate ("SOFR"), which the NY Fed publishes, as the rate that represents best practice for use in certain new U.S. dollar derivatives and other financial contracts. Likewise, the International Swaps and Derivatives Association's ("ISDA") working group chose SOFR as its replacement for USD LIBOR, and ISDA has released its IBOR Fallbacks Supplement which amends the 2006 ISDA Definitions (applicable to trades occurring on and after January 25, 2021), as well as its IBOR Fallbacks Protocol, which allows contract participants to amend existing contracts to include the new fallback

provision. Each of the NY Fed and ISDA has made certain information concerning their respective activities relating to USD LIBOR and alternative reference rates on their respective websites. It is widely anticipated that USD LIBOR will cease to be available in December of 2021, at which time these amendments will become effective and SOFR will replace USD LIBOR. There can be no assurance as to the timing or outcome of these and other USD LIBOR-related regulatory developments, or as to the effects of market reaction to such developments. Further regulatory developments, or the official cessation of USD LIBOR publication, might affect the determination of certain scheduled and, if applicable, termination payment obligations upon those derivatives agreements. The Agency continues to monitor the USD LIBOR-related developments and anticipates it will adhere to the IBOR Fallbacks Protocol or enter into substantially similar agreements directly with its swap providers. In addition, the Agency may seek additional amendments to its other agreements which still use USD LIBOR.

In 2009, the Agency issued \$13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued \$21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the “Housing Infrastructure Bonds”) for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is \$415,000,000. The Agency has issued 23 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2020 in an aggregate principal amount of \$290,330,000 under a separate indenture of trust.

On November 12, 2020, the Agency issued its Second Amended and Restated Bank Note (the “Amended Bank Note”) to Royal Bank of Canada (the “Bank”), pursuant to a Revolving Credit Agreement dated as of June 1, 2018, as amended by a First Amendment to Revolving Credit Agreement dated as of October 28, 2019, a Second Amendment to Revolving Credit Agreement dated as of November 22, 2019 and a Third Amendment to Revolving Credit Agreement dated as of November 12, 2020 (the “Amended Revolving Credit Agreement”), and as further amended from time to time, for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Homeownership Finance Bonds and Residential Housing Finance Bonds previously issued by the Agency (collectively, the “Single Family Housing Bonds”). Upon the refunding of Single Family Housing Bonds with amounts advanced to the Agency pursuant to the Amended Revolving Credit Agreement as evidenced by the Amended Bank Note, funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust, as amended, between the Agency and Wells Fargo Bank, National Association, as trustee, as security for the repayment of the principal amount of the Amended Bank Note that has been advanced to the Agency. The Bank agrees to make advances until December 31, 2021, a later date if extended by the Bank or an earlier date upon an event of default or a termination pursuant to the terms of the Amended Revolving Credit Agreement or if the Agency elects an earlier termination. The amount of the advances outstanding and not repaid with respect to the Amended Bank Note bear interest at a variable interest rate equal to one month LIBOR plus a spread (currently 0.40%) and may not exceed \$120,000,000, or the lesser amount then specified in the Amended Revolving Credit Agreement, at any time, and the cumulative amount of the advances made may not exceed \$1,100,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Amended Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of \$[525,334,223, \$115,604,736] of which is outstanding.

Agency Continuity of Operations Plan

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency’s ability to conduct its business. A prolonged disruption in the Agency’s operations could have an adverse effect on the Agency’s financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations,

the Agency has developed a Continuity of Operations Plan (the “Plan”). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency’s operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency’s efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency’s Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency’s Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency’s cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency’s security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency’s financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency’s computer and information technology systems could impact its operations for an unknown period of time, damage the Agency’s digital networks and systems, and damage the Agency’s reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency’s reputation and relationships could adversely affect the Agency’s ability to conduct its programs and operations in the future.

COVID-19 Economic Disruption

The recent global outbreak of COVID-19, a respiratory disease declared to be a pandemic (the “Pandemic”) by the World Health Organization, is affecting the national capital markets and may negatively impact the State’s housing market and its overall economy. The threat from the Pandemic is being addressed on a national, federal, state and local level in various forms, including executive orders and legislative actions.

On March 13, 2020, the President of the United States declared a national emergency with respect to the Pandemic. In addition, the United States Congress recently enacted several COVID-19-related bills, including the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, 2020, which provides over \$2 trillion of direct financial aid to American families, payroll and operating expense support for small businesses, and loan assistance for distressed industries, as well as providing funds to and directing the Federal Reserve System to support the capital markets.

With respect to multifamily housing mortgage loans which are (a) insured, guaranteed, supplemented or assisted in any way by the federal government (including any HUD program or related program) or administered by any federal agency or (b) purchased or securitized by Fannie Mae or Freddie Mac (collectively, “Federal Multifamily Loans”), the CARES Act also provides that, if a Federal Multifamily Loan was current as of February

1, 2020 and is not for temporary financing (i.e., not a construction loan), then until the earlier of the termination of the Pandemic or December 31, 2020, the borrower may request a 30-day payment forbearance, and up to two additional 30-day forbearances. During the period of any such forbearance, the borrower may not evict any tenant solely for nonpayment of rent. Such relief follows actions previously taken by the Federal Housing Finance Agency, which announced that Fannie Mae and Freddie Mac would offer mortgage loan forbearance to multifamily property owners on the condition that they suspend all evictions for renters who cannot pay their rent because of COVID-19. That forbearance is available for up to six months. Fannie Mae and Freddie Mac have extended the deadline for application to March 31, 2021. To further prevent the spread of COVID-19, the Centers for Disease Control and Prevention, located within the Department of Health and Human Services, has issued an order preventing any entity with a legal right to pursue eviction, or other possessory action, from evicting certain covered persons from residential properties through March 31, 2021. The Agency has not entered into any forbearance agreements. The Agency also has provided loans that secure outstanding bonds of the Agency under its single family housing program, many of which loans are covered by the relief provisions of the CARES Act, and has granted forbearance approvals when required. The Agency's loans provided under its home improvement program and its monthly payment loan program, as well as some loans for single family housing that are not pledged as security for any debt of the Agency, are not affected by the relief provisions of the CARES Act. However, the Agency has granted and may choose to grant forbearance approvals for certain of these loans during the Pandemic. (See "Other Programs")

The CARES Act directs the Federal Reserve Bank to provide liquidity to the financial system through a new facility to purchase certain new issuances of securities by eligible issuers, including housing finance agencies and other state and local governments. Such injection of liquidity follows recent actions by the Federal Reserve Bank, including the purchase of U.S. Treasury securities and the Government National Mortgage Association ("GNMA"), Fannie Mae and Freddie Mac mortgage-backed securities, facilitating the flow of credit to municipalities by expanding its Money Market Mutual Fund Liquidity Facility to include a wider range of securities, including municipal variable rate demand notes (such as variable rate demand obligations of housing finance agencies).

On March 13, 2020, the Governor of the State declared a peacetime emergency with respect to the Pandemic. By various executive orders, which have the force and effect of law during a peacetime emergency, the Governor has directed: residents of the State to first stay at home and shelter in place and subsequently permitting residents to conduct limited activities outside the home; the closure of schools for the remainder of the current school year; the closure and then partial re-opening of restaurants, bars, other public accommodations and certain non-essential businesses; and the suspension of evictions and lease terminations; in each instance subject to further change. The Governor has extended the peacetime emergency beyond the initial 30-day period, may extend it further and may issue additional executive orders pursuant to his authority during that emergency. The peacetime emergency, since extended beyond 30 days, may be terminated by majority vote of both houses of the legislature of the State.

An executive order of the Governor designated the operation of the Agency as a critical service and Agency personnel, though almost exclusively teleworking, are continuing all operations in order to provide the Agency's programs (see "Agency Continuity of Operations Plan" above). At this time the Agency cannot predict (i) the duration or extent of the Pandemic; (ii) the duration or expansion of any foreclosure or eviction moratorium affecting the Agency's ability to foreclose and collect on delinquent mortgage loans; (iii) the number of mortgage loans that will be in forbearance or default as a result of the Pandemic and subsequent federal, state and local responses thereto, including the CARES Act; (iv) whether and to what extent the Pandemic may disrupt the local or global economy, real estate markets, manufacturing, or supply chain, or whether any of those types of disruption may adversely impact the Agency or its operations; (v) whether or to what extent the Agency or other government agencies may provide additional deferrals, forbearances, adjustments, or other changes to payments on mortgage loans; or (vi) the effect of the Pandemic on the State budget, or whether any such effect may adversely impact the Agency or its programs. The Agency is monitoring and assessing the impact on its programs, operations and financial position, including its ability to continue to make and finance Mortgage Loans. However, the continuation of the Pandemic and the resulting containment and mitigation efforts could have a material adverse effect on the Agency's programs, operations and finances.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series Bonds to make a short-term first lien bridge Mortgage Loan that will finance a portion of the costs of the acquisition and construction of a multifamily housing development. The Development, to be known as Element, will be the acquisition and construction of a four-story building, located in Plymouth, Minnesota. The Development will have 61 residential units. The total development cost is estimated to be approximately \$17.63 million. The Development is expected to be completed by September 1, 2022. The Development will be acquired and constructed by Plymouth Element, LLC, a Minnesota limited liability company, or another entity affiliated with Sand Partners, LLC, a Minnesota limited liability company.

The Agency expects to use the proceeds of the Series Bonds to be deposited in the Mortgage Loan Account to make the bridge Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. The bridge Mortgage Loan, in the principal amount of \$8.790 million,* will mature in full on January 1, 2023.* The bridge Mortgage Loan will not be insured by FHA or secured by any other third-party credit enhancement, but the Agency expects it to be repaid from a long-term end loan from the Agency in the principal amount of \$5.259 million and a portion of the equity contributions from the tax credit investor, which is purchasing the low income housing tax credits described below. The bridge Mortgage Loan will be secured in part by a guaranty from SCI Associates, LLC.

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 40 years.

Four of the dwelling units will benefit from project-based Section 8 vouchers through the Plymouth HRA, four of the units from VASH vouchers through the Metro HRA and four of the units from Hennepin County Housing Support Rate 2 income supplement.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

Sources:

Principal Amount of Series Bonds	\$8,765,000*
Funds Available to the Agency.....	_____
Total Sources of Funds.....	<u>\$ _____</u>

Uses:

Series B Mortgage Loan Account	\$8,765,000*
Revenue Fund	_____
Costs of Issuance	_____
Total Uses of Funds	<u>\$ _____</u>

*Preliminary, subject to change.

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) which will act as securities depository for the Series Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota, serves as Trustee under the Bond Resolution.

The Series Bonds will be issued in the denominations of \$5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the date and in the amount set forth on the inside front cover hereof.

The Series Bonds bear interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing August 1, 2021,* at the rate set forth on the inside front cover hereof until payment of the principal or redemption price of the Series Bonds. As long as the Series Bonds are in book-entry form, interest on the Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, and DTC will redistribute that interest. (See Appendix E – “Book-Entry-Only System.”)

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development; or (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development. The Agency will apply any unexpended proceeds or Recovery Payments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments.

Optional Redemption

The Agency may redeem the Series Bonds at its option, in whole or in part, on any date on or after August 1, 2022,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

Any Series Bonds to be redeemed will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the principal amount of the Series Bonds to be redeemed. If less than all Series Bonds are to be redeemed, the Series Bonds to be redeemed are to be selected in \$5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after the redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

*Preliminary, subject to change.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its

consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption “Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments” in Appendix D hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of June 30, 2020 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

No funds will be credited to the Debt Service Reserve Fund with respect to the Series Bonds (and the Debt Service Reserve Requirement in respect of the Series Bonds will be \$0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the bridge loan funded by the Series Bonds will be secured as described under “The Development.”

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately \$1,156,006 and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency may not issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing Mortgage Loans for Developments under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix D – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

- Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)
- Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

- Market Rate Mortgage Loan Program

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of December 31, 2020 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of December 31, 2020

Program	<u>Number of Loans</u>	<u>Number of Units</u>	<u>Outstanding Loan Amount</u>	<u>Percentage of Total Amount</u>
Section 8 Housing Assistance Payments Program*	27	1,366	\$20,564,011	12.99%
Low and Moderate Income Rental Program **	54	3,369	136,260,744	86.07
Market Rate Mortgage Loan Program ...	<u>4</u>	<u>216</u>	<u>1,486,896</u>	<u>0.94</u>
	<u>85</u>	<u>4,951</u>	<u>\$158,311,651</u>	<u>100.00%</u>

*Includes six HUD Risk-Sharing loans for Developments with 538 aggregate units and an aggregate outstanding loan amount of \$17,406,134.

**Includes 33 HUD Risk-Sharing loans for Developments with 2,918 aggregate units and an aggregate outstanding loan amount of \$79,997,326 and six bridge mortgage loans for Developments with 247 units and an aggregate outstanding loan amount of \$30,370,000.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the “LMIR Program”) is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency’s administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans (“HUD Risk-Sharing Program”). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the “Risk-Sharing Act”) authorized the Secretary of the Department of Housing and Urban Development (“HUD”) to enter into risk-sharing agreements with qualified state or local housing finance agencies (“HFAs”) to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration (“FHA”), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the “Regulations”) pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

The HUD Risk-Sharing Program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between the Commissioner of FHA and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA’s standards and procedures for underwriting and servicing loans, and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a “qualified HFA” under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the “Risk-Sharing Agreement”) which sets out the terms for the Agency’s participation in the HUD Risk-Sharing Program. The Agency has a “Level I” and “Level II” approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program loan. “Level I” approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture,

payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA's reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration ("TCA") Annual Contributions Contracts ("ACC"s) with HUD and Section 8 Housing Assistance Payments Contracts ("HAP Contracts") with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.") Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the

first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial "and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment." HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner." 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See "Certain Recent Developments.")

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum

commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes “the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts.” Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the “Old Regulation HAP Contract”). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency’s TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency’s understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act (“MAHRA”), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency’s priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD’s programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See “Adjustments in Contract Rents.”) It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to “market rents,” but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD’s changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD’s structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the “overall limitation” provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract must not result in material differences between the rents charged

for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year's rent levels through the use of comparability studies, and that the "initial difference" referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD's Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under MAHRA may have their contract rents reduced to "market rents." This Guidebook also provides the opportunity for debt restructuring by HUD's Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor ("OCAF") rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under "Adjustments in Contract Rents," Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD's Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent ("FMR") or payment standard. The Agency has found that the HUD-published FMR or payment standard is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract ("ACC") with HUD as a Performance-Based Contract Administrator ("PBCA") for the contract administration of a portion of HUD's project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11

states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through January 31, 2022. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals (“RFPs”) that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. HUD reserved the right to terminate the ACC with 120 days’ notice if HUD completes or anticipates completing the RFP solicitation process before the end of the extension term.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency’s Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency’s Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent’s proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section begins to monitor the implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections.* After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.

- *Reporting Requirements.* Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

The Agency generally receives the following financial information related to each Development:

- (i) Monthly Operating Report—due the 15th day of the following month;
- (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;
- (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;
- (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and
- (v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions.* The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See "Tax Exemption and Related Considerations.")

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B-1.

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The applicable federal tax law establishes certain requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). These requirements are generally described below. Noncompliance with these requirements may cause interest on the Series Bonds to become includable in gross income for purposes of federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which that noncompliance is ascertained or occurs.

The Bond and Series Resolutions, and loan documentation pertaining to the Development financed by the Series Bonds, contain provisions (the "Tax Covenants"), including covenants of the Agency and the owner, pursuant to which, in the opinion of Bond Counsel, the current requirements of the Code can be satisfied.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, provided interest on any Series Bond, is not excluded from gross income for federal income tax purposes of any holder of the Series Bonds who is a “substantial user” of a development financed by the Series Bonds or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax under the Code.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

A form of the Bond Counsel opinion with respect to the Series Bonds is attached hereto as Appendix F.

Prospective owners of the Series Bonds should be aware that the ownership of obligations such as the Series Bonds may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon the owner’s particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds. Interest on the Series Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

The foregoing is a brief discussion of certain collateral Federal income tax matters with respect to the Series Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with those requirements may cause interest on the Series Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which that noncompliance occurs or is discovered. The Agency will covenant that it will do and perform all acts necessary or desirable to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing Federal tax requirements with the issuance of the Series Bonds that will contain provisions relating to compliance with the requirements of the Code. The Agency also

has required or will require owners to make certain covenants in the Mortgage Loan documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for Federal income tax purposes.

Low Income Set-Aside Requirements under the Code

Each series of bonds issued under the Bond Resolution with the intention that the interest paid thereon will be excludable from gross income for Federal income tax purposes ("Tax-Exempt Bonds"), including the Series Bonds, must satisfy the applicable requirements of the Code. In general, Tax-Exempt Bonds originally issued for new money purposes after the general effective date of the Code of August 16, 1986, are fully subject to the applicable requirements of the Code, including the more restrictive low income set-aside requirements under the Code. The Series Bonds are fully subject to the low income set-aside requirements of the Code. This section includes brief summaries of certain low income set-aside requirements and other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20 percent of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50 percent of the area median income (with adjustments for family size), or (ii) at least 40 percent of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60 percent of the area median income (with adjustments for family size). The Agency will make elections on the applicable low income set-aside requirements with respect to the Development expected to be financed with the proceeds of the Series Bonds prior to the issuance date of the Series Bonds. In addition, all of the units in the Development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10 percent of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50 percent of the residential units in the project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A Development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140 percent of the applicable income limitation. Generally, upon an increase of a tenant's income over 140 percent of the applicable income limitation, the next available unit of comparable or smaller size in the applicable Development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable Development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140 percent of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Certain State Tax Legislation

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in *Department of Revenue of Kentucky v. Davis* that Kentucky's taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of "so-called 'private-activity,' 'industrial-revenue,' or 'conduit' bonds . . . used to finance projects by private entities" violate the Commerce Clause, adding that "we cannot tell with certainty what the consequences would be of holding that Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally."

Since the Series Bonds are "private activity bonds" and the Supreme Court's opinion left open the possibility of a challenge to Minnesota's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota's treatment of the bonds were held to unlawfully discriminate against interstate commerce, the court making such a finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Series Bonds to become taxable by Minnesota and the market value of the Series Bonds to decline.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the Series Bonds from realizing the full current benefit of the tax treatment of the Series Bonds or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced that, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix F hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the “Financial Advisor”) is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated “__” by Moody’s Investors Service, Inc., and “__” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. The Agency cannot give any assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date of this Official Statement, investors should not assume that the ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) will purchase the Series Bonds. The Underwriter is to be paid a fee of \$_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of the Agency.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

**MINNESOTA HOUSING FINANCE
AGENCY**

_____, 2021.

By _____
Commissioner

APPENDIX A

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS
PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND
DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY
UNDER THE RENTAL HOUSING BOND RESOLUTION,
INCLUDING THOSE INTENDED TO BE FINANCED
WITH PROCEEDS OF THE SERIES BONDS**

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION**

AS OF DECEMBER 31, 2020

MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS

<u>Development Name</u>	<u>Location</u>	<u>Mortgage Loan Interest Rate</u>	<u>Outstanding Mortgage Loan Balance (1)</u>	<u>Undisbursed Mortgage Amount</u>	<u>Development Reserves (2)</u>	<u>Mortgage Note Maturity</u>	<u>Program Type</u>	<u>Subsidiy Expiration</u>	<u>No. of Subsidized Units</u>	<u>Total No. of Units</u>
BOSSEN PARK APTS	Minneapolis	6.68 %	\$ 1,481,796	\$ -	\$ 90,473	02/01/30	LMIR/HRS	N/A	0	110
CASCADE	Fergus Falls	0.00	113,545	-	(5)	12/01/21	HAP/AMP	05/31/38	36	36
CHEROKEE PLACE	North Branch	2.40	5,550,000	-	-	01/01/22	LMIR/BRIDGE	(4)	5	48
CONCORDIA ARMS	Maplewood	5.75	3,450,187	-	779,147	07/01/49	LMIR/HRS/HAP	12/31/32	125	125
DOVER HILL	Golden Valley	6.07	6,145,104	-	124,384	03/01/41	LMIR/HRS	N/A	0	234
DUBLIN HEIGHTS	Mankato	2.40	6,275,000	-	-	07/01/21	LMIR/BRIDGE	(4)	17	45
EASTGATE	Montevideo	0.00	60,529	-	37,397	09/01/21	HAP	09/30/21	46	46
FIFTEEN HUND PERKINS	Windom	0.00	19,938	-	250,153	03/01/21	HAP	02/28/21	48	48
GENEVA VILLAGE	Oakdale	7.21	2,032,100	-	532,108	01/01/28	LMIR	N/A	0	175
HILLSIDE HOMES	Spring Valley	2.00	38,266	-	126,695	12/01/21	HAP	12/31/21	37	37
HILLSIDE TERRACE	Long Lake	6.72	1,349,753	-	289,693	08/01/34	LMIR/HRS	01/15/31	44	44
HILLTOP COTTAGES	Pine City	1.35	4,610,000	4,110,074	-	07/01/22	LMIR/BRIDGE	(4)	8	35
JACKSON PLACE	Elk River	5.63	837,730	-	107,161	04/01/38	LMIR	N/A	0	32
KENTUCKY LANE	Crystal	5.00	1,692,747	-	106,346	12/01/31	LMIR/HRS	N/A	0	67
LAKE CRYSTAL	Lake Crystal	7.25	26,647	-	432,868	03/01/21	HAP	06/30/24	43	43
LARSON COMMONS	Cloquet	6.52	2,043,834	-	937,480	06/01/37	HAP/HRS	03/31/40	85	85
LE SUEUR MEADOWS II	Le Sueur	1.35	5,665,000	4,746,268	-	07/01/22	LMIR/BRIDGE	(4)	9	39
LORING TOWERS APARTMENTS	Minneapolis	6.14	5,178,839	-	761,435	04/01/35	LMIR/HRS	12/31/32	187	230
MANITOU RIDGE	White Bear Lake	6.63	2,327,193	-	102,409	03/01/33	LMIR/HRS	N/A	0	118
MAPLE RIDGE MANOR	Alexandria	0.00	457,444	-	205,766	11/01/21	HAP/AMP	07/31/21	40	40
MARSHALL SQUARE APTS	Marshall	6.45	1,189,131	-	93,299	02/01/36	LMIR/HRS/HAP	08/24/25	90	90
MATTHEWS PARK	Minneapolis	0.00	23,158	-	430,464	12/01/21	HAP	10/31/36	24	24
MUNGER TERRACE	Duluth	0.00	72,159	-	440,498	12/01/21	HAP	05/31/37	45	45
MUNGER TERRACE	Duluth	0.00	177,516	-	See above	12/01/21	HAP	See above	See above	See above
NORTH MORA	Mora	0.00	23,462	-	81,994	05/01/21	HAP	12/31/38	35	35
OAKWOOD HOMES	Karlstad	7.25	27,322	-	52,573	12/01/21	HAP	03/31/40	45	45
OAKWOOD HOMES	Karlstad	0.00	155,120	-	See above	12/01/21	HAP	See above	See above	See above
RIVERTOWN COMMONS	Stillwater	6.15	2,735,882	-	211,031	03/01/38	LMIR/HRS	04/30/40	96	96
THE SQUARE ON 31ST fka ROCHESTER SQUARE	Rochester	5.75	1,840,286	-	293,131	07/01/44	LMIR/HRS/HAP	02/17/34	95	104
ROSEMOUNT TOWNHOUSES	Rosemount	1.00	41,757	-	40,783	10/01/21	LMIR/HAP	01/31/28	28	28
SOUTHVIEW TERRACE	Hibbing	2.00	127,579	-	659,392	12/01/21	HAP	11/30/36	43	145
SUNRISE ESTATES	Jackson	0.00	190,000	-	108,599	01/01/22	HAP/AMP	10/01/22	40	40
THE CROSSROADS fka SOUTH PARK MANOR	Dodge Center	0.00	93,277	-	127,571	05/01/22	HAP	10/31/37	37	37
THE CROSSROADS fka SOUTH PARK MANOR	Dodge Center	0.00	280,000	-	See above	05/01/22	HAP/AMP	See above	See above	See above
TOWN SQUARE	East Grand Forks	2.00	167,155	-	358,517	12/01/21	HAP	10/31/29	81	81
VADNAIS HIGHLANDS	Vadnais Heights	6.60	1,220,185	-	107,783	03/01/34	LMIR/HRS/HAP	07/31/23	35	35
VICTORY APTS fka MERIDIAN APTS	Duluth	0.00	41,879	-	338,530	12/01/21	HAP	06/30/38	39	39
WEST BIRCH TH	Princeton	2.60	3,125,000	-	-	07/01/21	LMIR/BRIDGE	N/A	0	40
WHITE OAK ESTATES	Baxter	2.35	5,145,000	-	-	07/01/21	LMIR/BRIDGE	(4)	20	40
WHITTIER COOP	Minneapolis	0.00	91,098	-	555,235	12/01/21	HAP	09/14/30	45	45
WHITTIER COOP	Minneapolis	0.00	944,000	-	See above	12/01/21	HAP/AMP	See above	See above	See above
WOODCREST MANOR	Mora	1.00	47,782	-	169,774	08/01/21	HAP	01/31/37	42	42
YORKDALE	Edina	5.00	3,774,710	-	390,958	06/01/48	HAP/HRS	06/30/39	90	90
Subtotal			\$ 70,869,114	\$ 8,856,342	\$ 9,343,649				1660	2738

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF DECEMBER 31, 2020

MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

<u>Development Name</u>	<u>Location</u>	<u>Mortgage Loan Interest Rate</u>	<u>Outstanding Mortgage Loan Balance (1)</u>	<u>Undisbursed Mortgage Amount</u>	<u>Development Reserves (2)</u>	<u>Mortgage Note Maturity</u>	<u>Program Type</u>	<u>Subsidy Expiration</u>	<u>No. of Subsidized Units</u>	<u>Total No. of Units</u>
ANDREWS POINT	Burnsville	5.00 %	\$ 1,869,293	\$ -	\$ 120,580	05/01/42	LMIR/HRS	N/A	0	57
BLOOMING GLEN	Bloomington	6.17	2,591,053	-	179,309	10/01/38	LMIR/HRS	12/30/31	50	50
BLUFF HEIGHTS	Prior Lake	6.50	1,045,387	-	372,840	05/01/34	LMIR	N/A	0	35
CAPITOL CITY	St. Paul	5.15	969,748	-	83,318	11/01/37	LMIR	N/A	0	69
CARRIAGE HOUSE	Moorhead	6.50	48,931	-	16,005	07/01/21	MR	N/A	0	36
CEDARDALE PLACE	Owatonna	4.49	4,908,500	-	645,163	06/01/54	LMIR/HRS	11/30/38	98	98
CENTRAL TOWERS	Rochester	5.00	4,054,265	-	915,841	08/01/43	LMIR/HRS	12/31/31	105	105
CHARTER OAKS TH	Stillwater	5.00	3,037,850	-	255,141	04/01/43	LMIR/HRS	12/31/27	60	60
CHERRY RIDGE APTS	Mankato	6.39	1,086,419	-	122,636	02/01/39	LMIR/HRS	N/A	0	83
CITY FLATS	Shakopee	5.86	374,207	-	160,902	06/01/37	LMIR	N/A	0	27
CITY PLACE LOFTS	Minneapolis	4.75	2,934,030	-	207,760	10/01/44	LMIR/HRS	N/A	0	55
COMPASS POINTE TH	New Hope	5.25	2,437,160	-	106,801	02/01/46	LMIR/HRS	N/A	0	68
CORNERSTONE VILLAGE	St. Michael	5.63	1,775,637	-	106,375	10/01/28	LMIR	N/A	0	42
EASTEN TH	Moorhead	5.74	596,968	-	334,360	09/01/37	LMIR/HRS	12/27/31	62	62
EVERGREEN APTS	Hutchinson	5.50	2,000,037	-	358,565	12/01/41	LMIR/HRS	N/A	0	38
FIRST AVENUE FLATS	Rochester	4.50	4,803,683	-	79,161	10/01/34	LMIR	N/A	0	68
GEORGETOWNE HOMES	Rochester	6.50	2,924,597	-	200,779	08/01/31	LMIR	N/A	0	100
HOFFMAN PLACE	White Bear Lake	5.50	1,893,505	-	392,116	10/01/27	LMIR	N/A	0	59
LAKEVILLE COURT	Lakeville	5.00	2,652,096	-	24,826	08/01/42	LMIR/HRS	N/A	0	52
LIBERTY PLAZA	St. Paul	6.50	3,557,018	-	977,233	02/01/34	LMIR/HRS	09/30/24	78	173
MANY RIVERS	Minneapolis	3.94	2,347,187	-	113,192	10/01/54	LMIR/HRS	08/04/23	7	53
MEADOWS WEST	Austin	5.00	2,036,782	-	210,671	10/01/43	LMIR/HRS	12/31/31	60	60
NORTHGATE WOODS	Blaine	5.50	2,797,920	-	228,827	10/01/52	HAP/HRS	06/30/40	75	75
PARK MANOR ESTATES	Detroit Lakes	4.75	3,858,946	-	443,485	05/01/44	HAP/HRS	09/30/39	97	97
PARK PLAZA	Minneapolis	5.00	1,752,866	-	224,102	09/01/33	LMIR/HRS	N/A	0	134
PARKVIEW VILLA	Columbia Heights	5.25	2,091,076	-	400,494	04/01/47	LMIR/HRS	N/A	0	142
PASSAGES (3)	Minneapolis	5.00	20,724	-	98,051	09/01/21	MR	N/A	0	17
PINE RIDGE APTS	Grand Rapids	5.25	2,452,361	-	157,972	07/01/46	HAP/HRS	02/28/38	60	100
RIVERSIDE APTS.	St. Cloud	5.74	2,048,296	-	367,298	02/01/37	LMIR/HRS	N/A	0	85
RIVERSIDE TERRACE	Thief River Falls	4.75	2,202,593	-	294,952	07/01/43	LMIR/HRS	05/01/30	66	66
RIVERTOWN COMMONS	St. Paul	5.18	2,312,023	-	560,610	11/01/25	LMIR	04/30/39	28	139
RUSSELL ARMS/BENTON HEIGHTS	Sauk Rapids	5.15	2,478,362	-	364,041	09/01/37	HAP/HRS	05/31/22	71	91
SLATER SQUARE	Minneapolis	5.00	547,064	-	271,039	11/01/36	MR	N/A	0	163
SLATER SQUARE	Minneapolis	5.00	870,177	-	See above	11/01/36	MR	See above	See above	See above
THE RIDGE APTS	Minnetonka	4.75	2,434,293	-	1,115,442	12/01/44	LMIR/HRS	N/A	0	64
TOWN TERRACE TOWNHOMES	Cambridge	3.49	1,623,903	-	658,921	05/01/55	LMIR/HRS	N/A	0	32
VICKSBURG COMMONS	Plymouth	6.40	854,979	-	92,643	03/01/38	LMIR	N/A	0	50
VILLAGE COMMONS	Savage	5.00	1,839,144	-	111,069	11/01/43	LMIR/HRS	N/A	0	66
VILLAGE ON THIRD	Rochester	6.14	1,522,302	-	87,442	05/01/25	LMIR	N/A	0	66
WASHINGTON CROSSING	Winona	5.75	1,285,391	-	180,741	01/01/36	LMIR/HRS	N/A	0	62
WEST VIEW ESTATES	Plymouth	5.00	3,241,907	-	294,101	09/01/42	LMIR	N/A	0	67
WILLOW RIDGE	St. Paul	6.39	1,263,856	-	102,520	04/01/38	LMIR	N/A	0	47
			\$ 87,442,537	\$ -	\$ 12,037,323					
			\$ 70,869,114	\$ 8,856,342	\$ 9,343,649					
			\$ 158,311,651	\$ 8,856,342	\$ 21,380,972					
Total										
									917	3,013
									1,660	2,738
									2,577	5,751

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF MORTGAGE LOANS INTENDED TO BE FINANCED WITH PROCEEDS FROM
RENTAL HOUSING BONDS 2021 SERIES B

Development Name	Location	Estimated Mortgage Loan Rate	Estimated Mortgage Loan Amount	Estimated Development Reserves	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
Element	Plymouth	1.350%	\$8,790,000		1/1/2023	LMIR/ Bridge Loan	Annually renewable after completion	12	61

Notes:

- (1) All loans can be prepaid subject to Agency approval.
- (2) Amounts listed under the heading "reserves" are pledged by the project owner under the project regulatory agreement. The reserve can be applied for project purposes under the regulatory agreement, and are paid to the owner when the mortgage loan is paid or prepaid in full. The reserves are not pledged as security under the Bond Resolution. The real estate tax and insurance reserves are excluded.
- (3) This loan was originated under the Market Rate program. After a November 2007 loan modification and assumption, however, the development became permanent supportive housing.
- (4) Subsidy expiration date will not be determined until development is placed in service.
- (5) \$134,869 in development reserves are pledged in connection with an Agency loan that is not security under the Bond Resolution.

*Program Type Legend

AMP = Asset Management Program
HAP = Section 8 Housing Assistance Payment Program (Uninsured Developments)
HRS = FHA Risk Share Insurance
LMIR = Low And Moderate Income Rental Program
MR = Market Rate Loan Program

APPENDIX B-1

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

APPENDIX B-2

**FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)
AS OF DECEMBER 31, 2020
AND FOR THE SIX MONTHS THEN ENDED (UNAUDITED)**

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondholders”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption “Annual Financial Information Disclosure” herein.

“*Audited Financial Statements*” means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

“*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

“*Commission*” means the Securities and Exchange Commission.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

“*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“Undertaking” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ending June 30, 2021, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency’s fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency’s fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;
- (ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any Federal, state, local or private program intended to assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading “Hedge Agreements.”

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States; (iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer’s Home

Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least \$50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency).

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any

other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency's program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not "impair" the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency's interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans previously made from the proceeds of Notes, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note

Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

- (i) the name of the Mortgagor to, and Development for, which the payment is to be made;
- (ii) the amount to be paid; and
- (iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy;

and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

- (a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:
 - (i) the unpaid principal balance of the Mortgage Loan; plus
 - (ii) accrued interest to the date of the Prepayment; plus
 - (iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and
- (b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

- (a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;
- (b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and
- (c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

- (a) obtained all governmental approvals required by law for the acquisition and construction of the Development;
- (b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance

therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;

(c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

- (a) receipt of full Prepayment conforming to the requirements stated below;
- (b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;
- (c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;
- (d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;
- (e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;
- (f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or
- (g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best

interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

- (a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;
- (b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;
- (c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and
- (d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and

things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

- (a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;
- (b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and
- (c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

- (a) Revenues to the Revenue Fund:
- (b) Prepayments and Recovery Payments to the Redemption Fund; and
- (c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

(a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be

applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service

Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any

money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common

trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and

the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

(a) that it has received the documents listed above; and

(b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a "Supplemental Resolution").

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or

the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer's Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of "Events of Default" above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of "Events of Default" above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for the Series Bonds. The ownership of one fully registered Series Bond for each maturity of the Series Bonds in the aggregate principal amount of that maturity will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or another name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or another nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for the Series Bonds. In that event, the Series Bonds are to be delivered as described in the Resolutions.

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

_____, 2021

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2021 Series B

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the “Agency”) in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2021 Series B, in the aggregate principal amount of \$_____ (the “2021 Series B Bonds”), which are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof.

The 2021 Series B Bonds are dated, mature on the date, bear interest at the rate and are payable as provided in the Series Resolution referenced below. The 2021 Series B Bonds are subject to optional and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency’s Bond Resolution adopted February 25, 1988, as amended and supplemented (the “Bond Resolution”), and the Series Resolution relating to the 2021 Series B Bonds adopted February 25, 2021 (the “Series Resolution”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2021 Series B Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2021 Series B Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2021 Series B Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2021 Series B Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the

Minnesota Housing Finance Agency
_____, 2021
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Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2021 Series B Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, interest on any 2021 Series B Bond is not excluded from gross income for federal income tax purposes of any holder of such bonds who is a “substantial user” of a development financed by such 2021 Series B Bond or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

Interest on the 2021 Series B Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals. Interest on the 2021 Series B Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2021 Series B Bonds. All owners of 2021 Series B Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2021 Series B Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2021 Series B Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2021 Series B Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2021 Series B Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

RESOLUTION NO. MHFA 21-009

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN PLYMOUTH, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the “Bond Resolution”), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of a series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one Mortgage Loan (the “Mortgage Loan”) to a Mortgagor (the “Mortgagor”) for the purposes of financing the acquisition and construction of the multifamily housing development (the “Development”) described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the “Series Resolution.” The Mortgage Loan to the Mortgagor shall be evidenced by a Mortgage Note to be executed by the Mortgagor to the Agency and a Mortgage to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgage (collectively, the “Loan Documents”).

Section 2. Authorization of Series Bonds.

(a) *Purpose.* To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue one series of Bonds pursuant to the Bond Resolution, which is designated as “Rental Housing Bonds, 2021 Series,” in the principal amount to be determined pursuant to Section 2(E) (the “Series Bonds”). The “2021” in the designation of the Bonds may be changed to “2022” and “Series” followed by an uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

- (i) For the financing of the Mortgage Loan to the Mortgagor; and
- (ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue.* Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the “Regulations”), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the “Issue.”

(c) *Pledge.* The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements.* Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer’s Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents.* The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the “Underwriter”) pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the “Preliminary Official Statement”), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer or the Finance Director (each an “Authorized Officer”) is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters:

(i) the principal amount of the Series Bonds; provided that the principal amount of the Series Bonds is not in excess of \$8,765,000;

(ii) the maturity date of the Series Bonds; provided that the Series Bonds mature at any time in such amount not later than 3 years from the Issue Date thereof;

(iii) the interest rate borne by the Series Bonds; provided that the interest rate on the Series Bonds shall not exceed 3.50%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of a bond purchase agreement with the Underwriter (the “Purchaser”) by such Authorized Officer. The terms of the Series Bonds, including the purchase price, shall be set forth in the Officer’s Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the “Bond Purchase Agreement”). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e).

(f) *Approval of Continuing Disclosure Undertaking.* The Agency has also examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer.

Section 3. Forms.

(a) *Generally.* The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds.* The Series Bonds shall be in substantially the form of Exhibit B hereto (which is hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations and Interest Payment Dates.* The Issue Date of the Series Bonds shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of \$5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing August 1, 2021, or a subsequent February 1 or August 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption.* The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(e).

(c) *Procedure for Redemption.* All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee.* The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Wells Fargo Bank, National Association, in Minneapolis, Minnesota, the Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date.* For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution.* The Series Bonds shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chairman and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository.*

(i) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series Bond shall be issued in the principal amount of each stated maturity of the Series Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any person or entity claiming a

beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to the Series Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of Series Bonds in the form of certificates. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to the Series Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event Series Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series Bonds, or another securities depository as registered owner of all the Series Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series Bonds.

(c) *Opinion and Officer's Certification.* The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and constructed for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period

during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single “development” and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, (ii) any property not part of the Development, or (iii) any private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboard and ice-skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility or racetrack.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) [Reserved].

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 25 years.

(g) In order to qualify the Mortgage Note and Mortgage received from the Mortgagor as “program investments” within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any “related person” thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Note and Mortgage as part of a “program” under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Note and Mortgage.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loan within three years after the date of issue of the Issue and not more than

50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law for calendar year 2021. The Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loan purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loan must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loan in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

[Remainder of page intentionally left blank]

Adopted by the Minnesota Housing Finance
Agency this 25th day of February, 2021.

By: _____
Chairman

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 21-009]

EXHIBIT A**DESCRIPTION OF MORTGAGOR AND DEVELOPMENT**

<u>Mortgagor</u>	<u>Name</u>	<u>Location</u>	<u>Number of Units</u>
Plymouth Element, LLC	Element	Plymouth, MN	61

EXHIBIT B
FORM OF SERIES BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND

[2021] SERIES ____

Interest Rate

Maturity

Date of Original Issue

CUSIP

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing _____, until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Wells Fargo Bank, National Association, in Minneapolis, Minnesota, Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series Bond is not a debt of the State.

This Series Bond is one of a duly authorized series of Rental Housing Bonds, [2021] Series __, issued in the original aggregate principal amount of \$_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Plymouth, Minnesota (the “Development”). The Series Bonds are issued under and pursuant to the Agency’s Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 21-009, adopted February 25, 2021, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series Bonds, and the terms upon which the Bonds, including the Series Bonds, are issued, delivered and secured.

The Series Bonds are issuable only in fully registered form and comprise current interest bonds of a single stated maturity. The Series Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series Bonds are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to the special redemption of the Series Bonds in addition to the allocable amount of Recovery Payments.

The Series Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after _____, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series Bonds, a new Series Bond will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series Bonds will be mailed to the registered Holders of the Series Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series Bonds not affected by such failure or defect. Notice having been so mailed, the Series Bonds or portions of Series Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Wells Fargo Bank, National Association, in Minneapolis, Minnesota, the Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series Bond, so long as this Series Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series Bond, and shall give all notices with respect to this Series Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series Bond to be executed by the facsimile signatures of its Chairman and Commissioner, the Agency having no corporate seal, and has caused this Series Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chairman (Facsimile Signature)

WELLS FARGO BANK, NATIONAL
ASSOCIATION, Minneapolis, Minnesota, as
trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

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Item: 2nd Quarter FY 2021 Financial Reporting Package

Staff Contact(s):

Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Debbi Larson, 651.296.8183, debbi.larson@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff will review 2nd quarter financial results.

Fiscal Impact:

None.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Noteworthy Items
- Financial Dashboard
- Selected Financial Statements—2nd quarter FY 2021

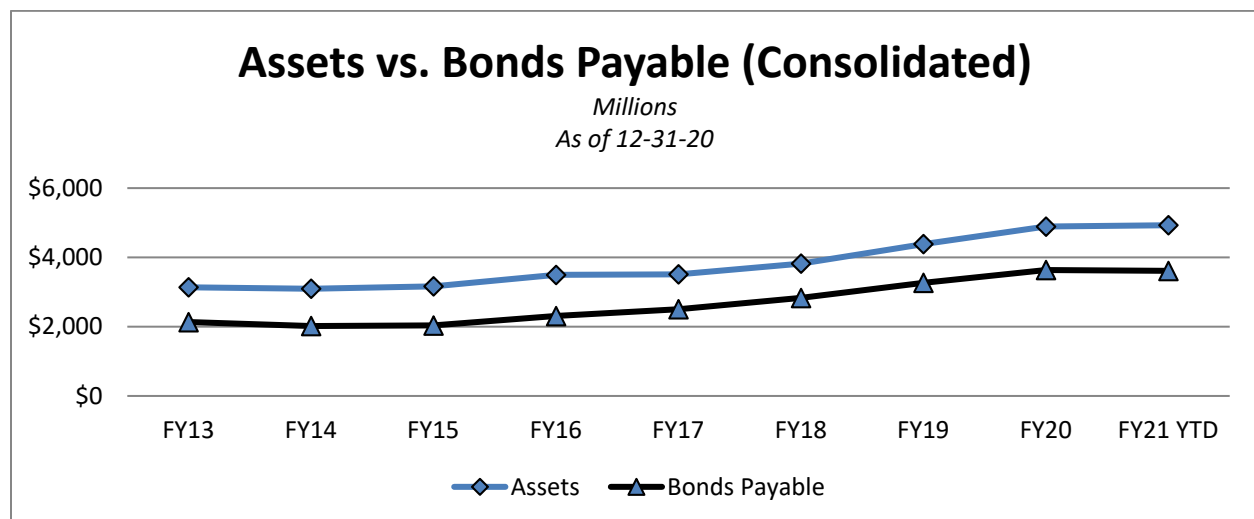
**Minnesota Housing Finance Agency
FY 2021 2nd Quarter Financial Results
Noteworthy Items**

Consolidated Balance Sheet – 12/31/20 vs 12/31/19

Assets, while down from last quarter, continue to grow over time and are up \$154 million over one year ago, now surpassing \$4.9 billion. Over the year, the Agency continued to recognize substantial growth in the Mortgage-Backed Securities (MBS) portfolio, although that growth was dampened in the most recent quarter by an acceleration in early prepayments on the underlying loans for the MBS.

Overall, Agency loan assets remained fairly steady, as new loan production largely offset the pace of loan payoffs and maturities. In addition, while cash and investments are up by \$48.3 million from one year ago, they are down by roughly \$200 million from last quarter, highlighted by the use of appropriated money to make new loans and grants, as well as the drawing down of the Covid Housing Assistance Program funding.

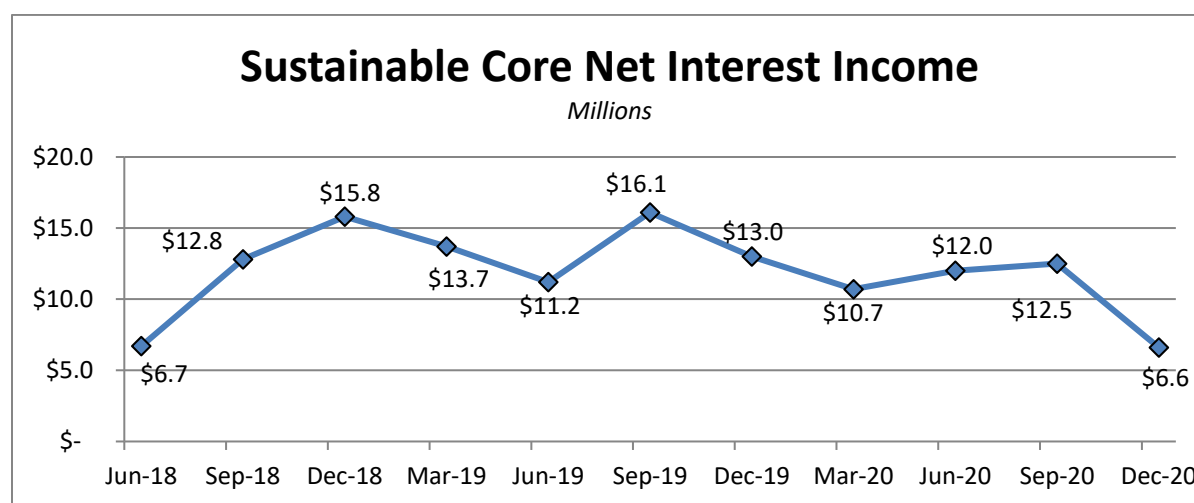
The bonds payable liability in the Sustainable Core (therefore excluding Housing Infrastructure Bonds) decreased by \$177.1 million from the prior quarter-end, and \$60.6 million from one year ago, primarily as the pace of debt repayments from early redemption of MBS outweighed the new financings to fund new loans and the acquisition of MBS from strong homeownership production.



Operating Results Sustainable Core 2nd Quarter FY 21 vs. 2nd Quarter FY 20

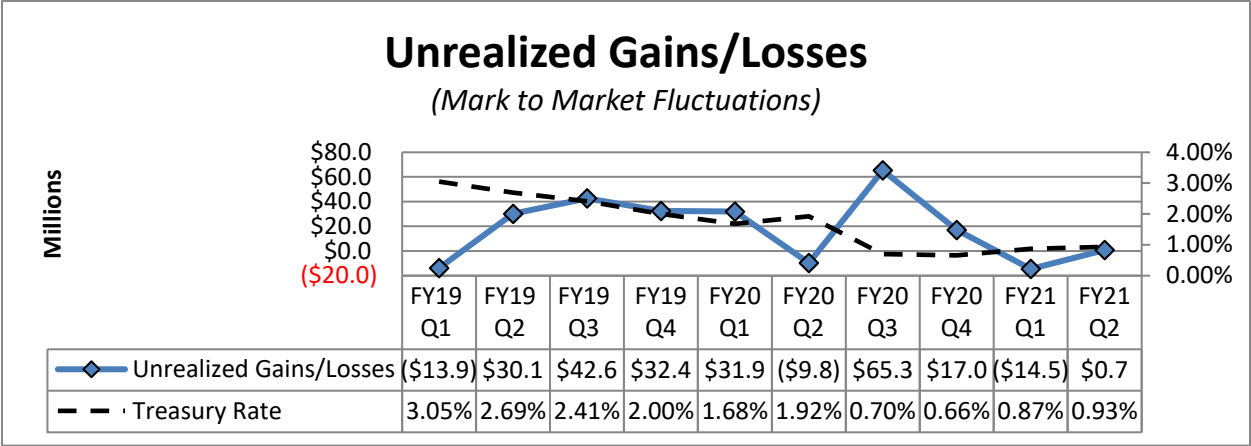
In the Sustainable Core, Q2 FY21 net interest income was \$6.6 million, down from \$12.5 million in the prior quarter, and down from \$13.0 million in Q2 last year. This drop is primarily attributable to the following factors: 1) lower earnings from our investment portfolio and cash management activities, 2) the accelerated prepayments on the MBS portfolio which necessitate an accounting adjustment in interest revenue component of net interest income, and 3) continued impacts from the accounting for certain debt issuance structured with bond premium. Of these, only the first truly impacts our ability to generate sufficient cash to fund our programs and our administrative operations.

Other factors that impact our ability to generate cash earnings in a low interest rate environment include the lower interest revenue that results from new non-financed loans generally carrying lower interest rates than loans that are repaying, as well as the ongoing impacts of modest levels of forbearance in certain of our loan portfolios. Those factors are currently largely mitigated by an increase in other revenue (largely fees and sale of MBS), which grew by \$3.2 million (10.6%), to \$33.4 million, in the first six months of the fiscal year.



For the first six months of the fiscal year, sustainable Core operating expenses were up by \$0.7 million (3.8%) compared to last year, mostly due to annual salary cost of living increases.

The Agency also booked a \$0.7 million unrealized gain on the MBS portfolio in the quarter, following a (\$14.5) million unrealized loss in the first quarter FY21. Quarterly fluctuations in this line will continue as the mark-to-market impact of our fixed rate MBS in various interest rate environments is recognized.



Financial Dashboard

BALANCE SHEET*

Quarterly Financial Dashboard - Selected Reporting
As of December 31, 2020 - (\$ million)

	Quarter End	Prior Quarter End	Change from Prior Quarter	Year Ago	Change From Year Ago
CONSOLIDATED					
Total Assets	4,927.6	5,196.6	(269.0)	4,773.6	154.0
<i>Program Securities</i>	2,976.0	3,038.9	(62.9)	2,869.3	106.7
<i>Loans, net</i>	957.2	962.4	(5.2)	954.8	2.4
<i>Other investments and cash</i>	972.8	1,172.3	(199.5)	924.5	48.3
Total Liabilities	3,943.9	4,131.5	(187.6)	3,783.9	160.0
Net Position					
<i>restricted by Resolution</i>	523.3	526.7	(3.4)	458.6	64.7
<i>restricted by Covenant</i>	505.0	498.0	7.0	494.7	10.3
<i>restricted by Law</i>	218.0	304.2	(86.2)	185.8	32.2
<i>unrestricted - State Appr-Backed Debt</i>	(280.8)	(280.7)	(0.1)	(179.8)	(101.0)
<i>other</i>	2.7	3.5	(0.8)	4.4	(1.7)
Total Net Position	968.2	1,051.7	(83.5)	963.7	4.5
CONSOLIDATED EXCLUDING APPROPRIATED					
Total Assets	4,571.5	4,735.1	(163.6)	4,548.4	23.1
Net Position	1,031.0	1,028.3	2.7	957.7	73.3
SUSTAINABLE CORE					
Total Assets	4,441.7	4,603.5	(161.8)	4,432.7	9.0
<i>Program Securities</i>	2,976.0	3,038.9	(62.9)	2,869.3	106.7
<i>Loans, net</i>	812.5	821.7	(9.2)	824.1	(11.6)
<i>Other investments & cash</i>	631.9	720.0	(88.1)	714.8	(82.9)
Total Liabilities	3,524.5	3,693.4	(168.9)	3,564.7	(40.2)
<i>Bonds payable, net</i>	3,328.7	3,505.8	(177.1)	3,389.3	(60.6)
Net Position	901.6	896.7	4.9	842.0	59.6

* Assets and liabilities do not include deferred inflows/outflows

STATEMENT OF OPERATIONS
Quarterly Financial Dashboard - Selected Reporting
As of December 31, 2020 - (\$ million)

	This Quarter	Prior Quarter	Change from Prior Quarter	FYTD	Last Year FYTD	Change
CONSOLIDATED						
Revenues	105.5	247.1	(141.6)	352.6	293.1	59.5
Expenses	189.0	121.1	67.9	310.1	221.7	88.4
Net	(83.5)	126.0	(209.5)	42.5	71.4	(28.9)
SUSTAINABLE CORE						
Interest revenue	32.7	32.1	0.6	64.8	73.7	(8.9)
Other revenue	17.3	16.1	1.2	33.4	30.2	3.2
Unrealized gain (loss)	0.7	(14.5)	15.2	(13.8)	22.1	(35.9)
TOTAL REVENUE	50.7	33.7	17.0	84.4	126.0	(41.6)
Interest Expense	26.1	19.6	6.5	45.7	44.6	1.1
Operating Expenses(1)	10.5	8.4	2.1	18.9	18.2	0.7
Other Expenses	9.1	14.4	(5.3)	23.5	23.5	0.0
TOTAL EXPENSE	45.7	42.4	3.3	88.1	86.3	1.8
Revenue over Expense	5.0	(8.7)	13.7	(3.7)	39.7	(43.4)
Net Interest Income	6.6	12.5	(5.9)	19.1	29.1	(10.0)
<i>Annualized Net Interest Margin(2)</i>	<i>0.58%</i>	<i>1.10%</i>		<i>0.85%</i>	<i>1.37%</i>	

(1) Salaries, benefits and other general operating; includes YE Pension Adj

(2) Annualized Net Interest Income/Average assets for period

Assets

Cash and cash equivalents	
Investments-program mortgage-backed securities	
Investment securities-other	
Loans receivable, net	
Interest receivable on loans and program mortgage-backed securities	
Interest receivable on investments	
Interest rate swap agreements	
FHA/VA insurance claims, net	
Real estate owned, net	
Capital assets, net	
Other assets	

Total assets

Deferred Outflows of Resources

Deferred loss on refunding	
Deferred loss on interest rate swap agreements	
Deferred pension expense	
Total deferred outflows of resources	

Total assets and deferred outflows of resources

Liabilities

Bonds payable, net	
Interest payable	
Interest rate swap agreements	
Net pension liability	
Accounts payable and other liabilities	
Interfund payable (receivable)	
Funds held for others	
Total liabilities	

Deferred Inflows of Resources

Deferred gain on interest rate swap agreements	
Deferred revenue-service release fee	
Deferred pension credit	
Total deferred inflows of resources	

Total liabilities and deferred inflows of resources

Commitments and contingencies

Net Position

Restricted by bond resolution	
Restricted by covenant	
Restricted by law	
Unrestricted by State Appropriation-backed Debt	
Invested in capital assets	
Total net position	

Total liabilities, deferred inflows of resources, and net position

This information on the funds of the Agency for the six-month period ended December 31, 2020 was prepared by the Agency, and, in the opinion of the financial position and results of operations of those funds for the six-month period ended December 31, 2020, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2020 and for the fiscal year then ended.

General Reserve	Rental Housing	Bond Funds				Appropriated Funds		Total as of December 31, 2020	Total as of December 31, 2019
		Residential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMEs SM	State Appropriated	Federal Appropriated		
106,389	\$ 27,897	\$ 312,788	\$ 83,987	\$ 1,674	\$ -	\$ 282,967	\$ 33,526	\$ 849,228	\$ 592,784
-	-	1,447,689	1,528,354	-	-	-	-	2,976,043	2,869,313
-	22,892	90,822	-	-	9,856	-	-	123,570	331,737
-	155,109	749,330	-	13,448	-	39,327	-	957,214	954,780
-	617	7,583	4,543	49	-	14	-	12,806	12,695
37	67	527	1	-	24	55	1	712	1,681
-	-	-	-	-	-	-	-	-	1,534
-	-	232	-	-	-	-	-	232	547
-	-	581	-	-	-	-	-	581	1,281
2,714	-	-	-	-	-	-	-	2,714	4,377
3,171	269	867	16	-	-	-	226	4,549	2,875
112,311	206,851	2,610,419	1,616,901	15,171	9,880	322,363	33,753	4,927,649	4,773,604
-	-	-	-	-	-	-	-	-	-
-	-	10	-	-	-	-	-	10	47
-	-	20,711	-	-	-	-	-	20,711	11,155
14,211	-	-	-	-	-	-	-	14,211	26,658
14,211	-	20,721	-	-	-	-	-	34,932	37,860
\$ 126,522	\$ 206,851	\$ 2,631,140	\$ 1,616,901	\$ 15,171	\$ 9,880	\$ 322,363	\$ 33,753	\$ 4,962,581	\$ 4,811,464
\$ -	\$ 49,890	\$ 1,783,126	\$ 1,473,292	\$ 13,120	\$ 9,297	\$ 280,760	\$ -	\$ 3,609,485	\$ 3,569,187
-	466	22,548	4,635	33	24	-	-	27,706	27,887
-	-	20,711	-	-	-	-	-	20,711	11,155
10,412	-	-	-	-	-	-	-	10,412	10,441
3,838	8,960	53,369	72	-	-	10	-	66,249	56,969
2,386	-	(2,778)	170	-	-	170	222	-	-
69,234	-	1,829	-	-	559	137,727	5	209,354	108,300
85,870	59,316	1,878,805	1,477,999	13,153	9,880	418,667	227	3,943,917	3,783,939
-	-	-	-	-	-	-	-	-	-
-	-	12,441	8,315	-	-	-	-	20,756	1,534
29,734	-	-	-	-	-	-	-	29,734	20,259
29,734	-	12,441	8,315	-	-	-	-	50,490	42,028
\$ 115,604	\$ 59,316	\$ 1,891,246	\$ 1,486,314	\$ 13,153	\$ 9,880	\$ 418,667	\$ 227	\$ 3,994,407	\$ 3,847,760
-	147,535	243,123	130,587	2,018	-	-	-	523,263	458,599
8,204	-	496,771	-	-	-	-	-	504,975	494,763
-	-	-	-	-	-	184,456	33,526	217,982	185,810
-	-	-	-	-	-	(280,760)	-	(280,760)	(179,845)
2,714	-	-	-	-	-	-	-	2,714	4,377
10,918	147,535	739,894	130,587	2,018	-	(96,304)	33,526	963,174	963,704
\$ 126,522	\$ 206,851	\$ 2,631,140	\$ 1,616,901	\$ 15,171	\$ 9,880	\$ 322,363	\$ 33,753	\$ 4,962,581	\$ 4,811,464
-	-	-	-	-	-	-	-	-	-

Statement of Revenues, Expenses and Changes in Net Position (in thousands)

Proprietary Funds																			
Six Months Ended December 31, 2020 (with comparative totals for Six Months Ended December 31, 2019)																			
General Reserve		Rental Housing		Residential Housing Finance		Homeownership Finance Bonds		Multifamily Housing Bonds		HOMES SM		State Appropriated		Federal Appropriated		Total for the Six Months Ended December 31, 2020		Total for the Six Months Ended December 31, 2019	
Revenues																			
\$	-	\$	3,839	\$	16,894	\$	-	\$	296	\$	-	\$	404	\$	-	\$	21,433	\$	22,342
Interest earned on loans																			
Interest earned on investments-program mortgage-backed securities																			
Interest earned on investments-other																			
94	-	430	17,860	23,270	-	-	-	-	-	169	-	-	-	-	-	-	41,130	45,534	45,534
Net G/L on Sale of MBS Held for Sale/HOMES Certificates																			
Interest earned on investments																			
Net G/L on Sale of MBS Held for Sale/HOMES Certificates																			
Appropriations received																			
Administrative reimbursement																			
16,774	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34	8,523	8,523
Fees earned and other income																			
6,258	-	54	1,805	826	-	-	-	-	-	-	-	-	-	-	-	-	7,757	5,597	5,597
Unrealized gains (losses) on investments																			
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Fees earned and other income																			

This information on the funds of the Agency for the six-month period ended December 31, 2020 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the six-month period ended December 31, 2020, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2020 and for the fiscal year then ended.

Total net position, beginning of period adjusted to GASB 68.

See accompanying notes to financial statements.

Minnesota Housing Finance Agency
Supplementary Information(Unaudited)
Statement of Net Position (in thousands)

General Reserve & Bond Funds

As of December 31, 2020 (with comparative totals for December 31, 2019)

Assets												
Cash and cash equivalents	\$ 106,389	\$ 27,897	271,521	\$ 26,572	\$ 83,987	\$ 1,674	\$ -	\$ 518,040	\$ 442,870	\$ 14,695	\$ 532,735	\$ 445,259
Investments-program mortgage-backed securities	-	-	1,447,689	-	1,528,354	-	-	2,976,043	2,869,313	-	2,976,043	2,869,313
Investment securities-other	-	22,892	15,008	66,149	-	-	9,856	113,905	271,907	9,665	123,570	294,171
Loans receivable, net	-	155,109	292,259	351,668	-	13,448	-	812,484	824,081	105,403	917,887	915,125
Interest receivable on loans and program mortgage-backed securities	-	617	6,033	1,499	4,543	49	-	12,741	12,634	51	12,792	12,680
Interest receivable on investments	37	67	169	325	1	-	24	623	1,284	33	656	1,329
Interest rate swap agreements	-	-	-	-	-	-	-	-	1,534	-	-	1,534
FHA/VA insurance claims, net	-	-	232	-	-	-	-	232	547	-	232	547
Real estate owned, net	-	-	260	321	-	-	-	581	1,281	-	581	1,281
Capital assets, net	2,714	-	-	-	-	-	-	2,714	4,377	-	2,714	4,377
Other assets	3,171	269	68	798	16	-	-	4,322	2,829	1	4,323	2,830
Total assets	112,311	206,851	2,033,239	447,332	1,616,901	15,171	9,880	4,441,685	4,432,657	129,848	4,571,533	4,548,446
Deferred Outflows of Resources												
Deferred loss on refunding	-	-	10	-	-	-	-	10	47	-	10	47
Deferred loss on interest rate swap agreements	-	-	20,711	-	-	-	-	20,711	11,155	-	20,711	11,155
Deferred pension expense	14,211	-	-	-	-	-	-	14,211	26,658	-	14,211	26,658
Total deferred outflows of resources	14,211	-	20,721	-	-	-	-	34,932	37,860	-	34,932	37,860
Total assets and deferred outflows of resources	\$ 126,522	\$ 206,851	\$ 2,053,960	\$ 447,332	\$ 1,616,901	\$ 15,171	\$ 9,880	\$ 4,476,617	\$ 4,470,517	\$ 129,848	\$ 4,606,465	\$ 4,586,306
Liabilities												
Bonds payable, net	\$ -	\$ 49,890	\$ 1,758,123	\$ 25,003	\$ 1,473,292	\$ 13,120	\$ 9,297	\$ 3,328,725	\$ 3,389,342	\$ -	\$ 3,328,725	\$ 3,389,342
Interest payable	-	466	22,542	6	4,635	33	24	27,706	27,887	-	27,706	27,887
Interest rate swap agreements	-	-	20,711	-	-	-	-	20,711	11,155	-	20,711	11,155
Net pension liability	10,412	-	-	-	-	-	-	10,412	10,441	-	10,412	10,441
Accounts payable and other liabilities	3,838	8,960	528	52,840	72	-	-	66,238	56,958	1	66,239	56,960
Interfund payable (receivable)	2,386	-	-	(2,778)	-	-	-	(392)	(688)	-	(392)	(688)
Funds held for others	69,234	-	-	1,329	-	-	559	71,122	69,649	500	71,622	69,649
Total liabilities	85,870	59,316	1,801,904	76,400	1,477,999	13,153	9,880	3,524,522	3,564,744	501	3,525,023	3,564,746
Deferred Inflows of Resources												
Deferred gain on interest rate swap agreements	-	-	-	-	-	-	-	-	1,534	-	-	1,534
Deferred revenue-service release fee	-	-	8,933	3,508	8,315	-	-	20,756	20,259	-	20,756	20,259
Deferred pension credit	29,734	-	-	-	-	-	-	29,734	42,028	-	29,734	42,028
Total deferred inflows of resources	29,734	-	8,933	3,508	8,315	-	-	50,490	63,821	-	50,490	63,821
Total liabilities and deferred inflows of resources	\$ 115,604	\$ 59,316	\$ 1,810,837	\$ 79,908	\$ 1,486,314	\$ 13,153	\$ 9,880	\$ 3,575,012	\$ 3,628,565	\$ 501	\$ 3,575,513	\$ 3,628,567
Commitments and contingencies												
Net Position												
Restricted by bond resolution	-	147,535	243,123	-	130,587	2,018	-	523,263	458,599	-	523,263	458,599
Restricted by covenant	8,204	-	-	367,424	-	-	-	375,628	378,976	129,347	504,975	494,763
Restricted by law	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted by State Appropriation-backed Debt	-	-	-	-	-	-	-	-	-	-	-	-
Invested in capital assets	2,714	-	-	-	-	-	-	2,714	4,377	-	2,714	4,377
Total net position	10,918	147,535	243,123	367,424	130,587	2,018	-	901,605	841,952	129,347	1,030,952	957,739
Total liabilities, deferred inflows, and net position	\$ 126,522	\$ 206,851	\$ 2,053,960	\$ 447,332	\$ 1,616,901	\$ 15,171	\$ 9,880	\$ 4,476,617	\$ 4,470,517	\$ 129,848	\$ 4,606,465	\$ 4,586,306

This information on the funds of the Agency for the six-month period ended, December 31, 2020 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the six-month period ended, December 31, 2020, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2020 and for the fiscal year then ended.



Board Agenda Item: 8.B
Date: 2/25/2021

Item: First Quarter 2021 Progress Report: 2020-22 Strategic Plan and 2020-21 Affordable Housing Plan

Staff Contact(s):

John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff have attached for the Board's review and discussion the first quarter 2021 progress report for implementing the 2020-22 Strategic Plan and 2020-21 Affordable Housing Plan. The report has two sections: (1) progress in reaching two strategic goals, and (2) progress in reaching activity forecasts for 2021.

Fiscal Impact:

None

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):

- First Quarter 2021 Progress Report: 2020-22 Strategic Plan and 2020-21 Affordable Housing Plan

First Quarter 2021 Progress Report: 2020-22 Strategic Plan and 2020-21 Affordable Housing Plan (Program Year October 1, 2020 through September 30, 2021)

This progress report has two sections:

1. **Go Bigger Strategic Goals.** To track our progress in carrying out our 2020-2022 Strategic Plan, we have identified two priority areas for which we are setting strategic goals:
 - a. Share of first-time homebuyer mortgages going to Black, Indigenous and households of color
 - b. Share of new rental units that will be deeply affordable
2. **Forecast of Households and Housing Units Assisted.** To track our progress in implementing the 2020-2021 Affordable Housing Plan, we forecasted the number of households and housing units that we expect to assist in program year 2021. This section of the report tracks our progress in reaching those forecasts.

After the first quarter, we are on track to reach our 2021 forecasts; and in program year 2020, we hit our forecasts or came very close. Overall, we are effectively implementing the Affordable Housing and Strategic Plans. We are achieving these goals while COVID put tremendous stress on the people and families that we support and disrupted how we and our partners operate.

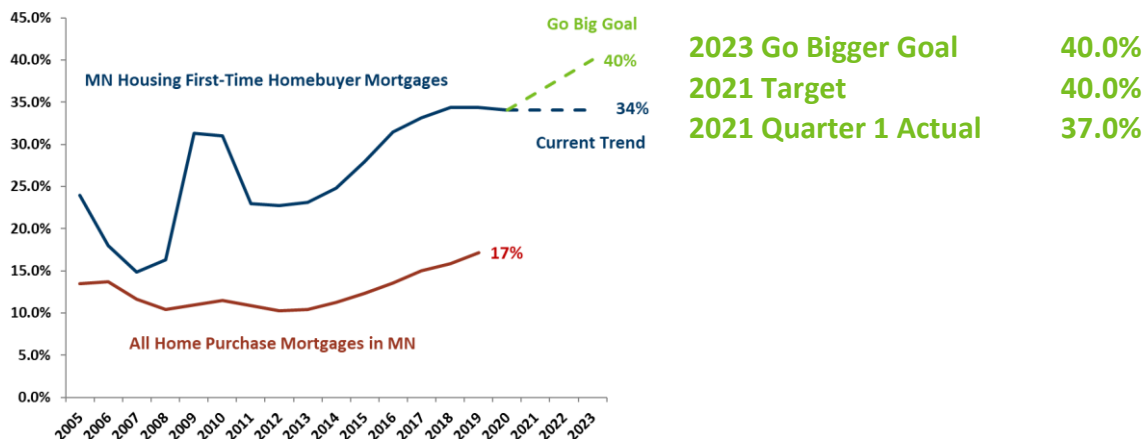
The forecast includes households that we expect to support in program year 2021, including the conclusion of the COVID-19 Housing Assistance Program, which was funded with \$100 million in federal assistance. About \$6 million of assistance was approved for applicants in program year 2020 (late August and September), with the remaining funds available in program year 2021. Administrators stopped taking applications in early December, and they were still reviewing and processing some of the submitted applications. The 2021 forecast does not include expected activity through the new COVID-19 Emergency Rental Assistance program recently approved by Congress. Once the design is finalized, we will add it to the forecast and start tracking activity.

The following diagram illustrates the Agency's strategy management framework and how our plans align and guide our work.



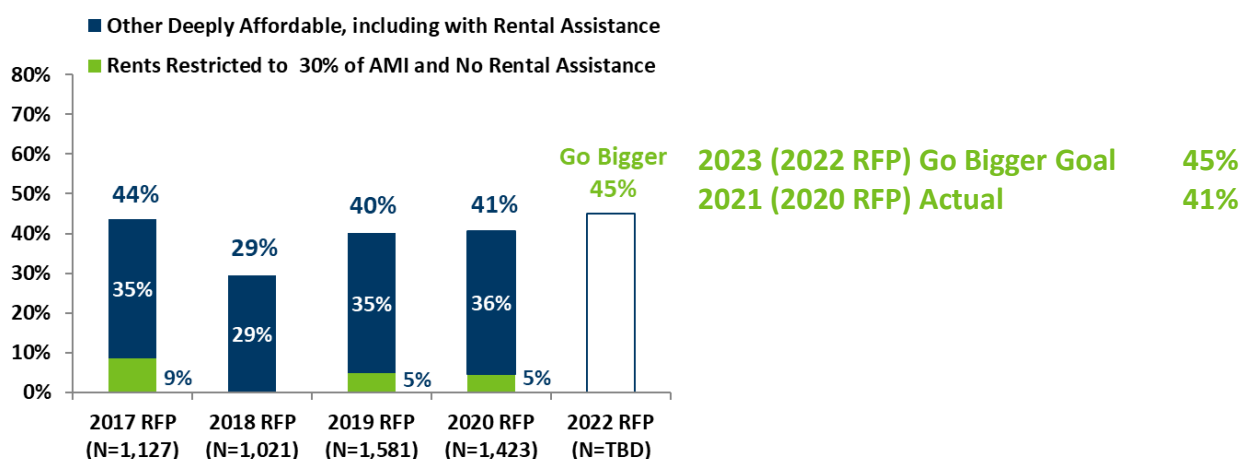
SMART Goals

1. Share of First-Time Homebuyer Mortgages Going to Black, Indigenous and Households of Color



For the last few years, 34% of our first-time homebuyer mortgages have gone to Black, Indigenous and households of color, which is significantly higher than the overall mortgage industry in Minnesota (17%). COVID has made achieving the goal more challenging with the economic distress disproportionately impacting Black, Indigenous and people of color. Nevertheless, as a stretch goal, we will try to reach 40% in 2021, which would be two years ahead of our original schedule. After the first quarter, we are at 37%, but still have the prime homebuying season to come.

2. Share of New Rental Units that will be Deeply Affordable*



* Includes new construction and adaptive-reuse units: (1) with contract rents that are affordable to people with incomes at or below 30% of the area median income (AMI), (2) with rental assistance, including Housing Support, and/or (3) that are permanent supportive housing. The 2020 Consolidated RFP percentage include developments selected for funding and developments advancing for additional review to receive HIB resources.

With the selections and advancements approved in December (completing the 2020 Consolidated RFP process), 41% of the new construction and adaptive-reuse units are expected to be deeply affordable. We are making progress toward the 45% goal.

Our ability to go bigger depends on the availability of Housing Infrastructure Bonds and rental assistance, including the Department of Human Services' Housing Support. We are also increasing the incentive in our selection criteria for developments to have deeply affordable units. Because deeply affordable units require more subsidy, there is a tradeoff between the total number of units developed or preserved and the overall number of deeply affordable units.

Forecast of Households and Housing Units Assisted

The following table tracks our progress in reaching our activity forecasts by program area. For context and a comparison, it also provides the level we reached in 2020 after the first quarter.

Progress in Reaching Our Forecast of Households and Housing Units Assisted in 2021

		2021 Year-End Forecast	2021 Actual after One Quarter	Share of 2021 Forecast Reached after One Quarter	2020 Actual after One Quarter	Historical Benchmark for Share after One Quarter
1	Home Mortgage Lending	5,549	1,121	20%	1,362	20%
2	Homebuyer Education and Coaching	24,819	5,117	21%	4,206	20%
3	Home Improvement Lending	1,820	331	18%	309	20%
4	Other Owner-Occupied Opportunities	652	720	110%	500	100%
5	Rental New Construction & Adaptive Re-use	1,596	1,020	64%	1,576	90%
6	Rental Rehabilitation ^a	3,225	416	13%	651	40%
7	Rental Refinance Only	545	0	0%	0	5%
8	Rent Assistance and Operating Subsidies	33,667	20,043	60%	2,382	60%
9	Section 8 Contract Administration	27,778	27,918	101%	28,347	100%
10	Homelessness Prevention and Other Supports	5,496	2,074	38%	2,146	25%
a. Share of year-end forecast reached after the first quarter can vary from 25% to 90% depending on the size of the Publicly Owned Housing Program (POHP) and Rental Rehabilitation Deferred Loan (RRDL) RFPs that come later in the year.						

NOTES:

Lines 1: For our home mortgage programs, we are on track to reach our year-end forecast. In the first quarter, we reached 20% of the forecast, which is right in line with our historical share of activity after the first quarter. We still have the prime spring and summer homebuying season to come, when lending activity increases. In terms of number of loans, we are a little bit behind where we were at this point last year; however, last year's activity started stronger than expected and then slowed some after COVID hit in March. Overall, lending activity remains very strong considering the disruption created by COVID.

Lines 2: Homebuyer education and coaching is right in line with expectations.

Line 3: While Fix-Up lending is right on track with expectations, the Rehabilitation Loan Program has had less activity than planned.

Line 4: We have already made our annual RFP selections for the Community Homeownership Impact Fund, Workforce Affordable Homeownership Program, and Manufactured Home Communities program and exceeded the forecast.

Lines 5: After the first quarter, the Board had selected just over 1,000 new rental housing units for funding, which is 64% of our year-end forecast. Typically, we reach 90% of the forecast in the first quarter, during which the Board makes the Consolidated RFP selections. With the late adoption of the 2020 bonding bill and the availability of Housing Infrastructure Bonds (HIB), we were unable to fully review most of the projects requesting HIB resources, but the Board did advance for further review a set of HIB projects that would potentially add roughly 400 new units to the total. Assuming all these units are formally selected for funding later this year, we would reach 90% of the year-end forecast. On top of that, the Board will make selections for the Greater Minnesota Workforce Housing program later this year, and the Board periodically approves a handful of new construction projects on a pipeline basis. Overall, we are on track to reach our year-end forecast.

Line 6: On the rental rehabilitation side, we have only reached 13% of our year-end forecast, when we have traditionally reached at least 25%. As described in the previous explanation of new construction activity, our recent selection process has been unusual, with the delay in receiving HIB funds. With the upcoming HIB selections, we expect to reserve funds for the rehabilitation of another 200 housing units. On top of that, we expect to rehabilitate another 2,000 units through the Publicly-Owned Housing Program RFP. Finally, the Board typically selects some projects on a pipeline basis. Overall, we are on track to reach our year-end forecast.

Line 7: We offer rental refinancing resources year-round, and it is demand driven.

Line 8: Rent assistance activity is in line with expectations, reaching 60% of the year-end forecasts. The COVID-19 Housing Assistance Program that was created late last summer accounts for the large increase in activity from 2020. As explained earlier, the program stopped taking new applications in December, but we were still processing applications at the end of the quarter, which will result in more households being assisted. This program supported both renters and homebuyers, but we grouped the program with the other rental assistance programs in the table because the program largely served renters. For our regular rental assistance programs (including Housing Trust Fund, Bridges and Homework Starts with Home), most of the households that we will assist over the course of the year received assistance in the first quarter, but there is some turnover in households during the year. As that occurs, the number of households assisted will increase during the year.

Line 9: The rental units receiving assistance in the first quarter will continue to receive assistance throughout the year. The number of households assisted with project-based rental assistance through the Section 8 program is stable, with little change over time.

Line 10: For homeless prevention and other supports, we are serving more households than expected. The average assistance per household is a little lower than forecasted, allowing the program to serve more households with the available funds.

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